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THE FEDERAL BUDGET AND THE CITIES

A Review of the President's Budget
for Fiscal Year 1984
October 1, 1983 to September 30, 1984

FEBRUARY 1983

Prepared by

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PREFACE

This report, "The Federal Budget and the Cities," examines the budget from an urban perspective. The first sections offer a general overview of the budget and the implications the budget contains for urban America. These sections also deal with fiscal policy as well as tax policy and the Congressional budget process. Other sections deal with various federal functions, ranging from housing and community development to defense and general revenue sharing.

The budget is a political document expressed in accounting terms. It is the single most important federal document published each year. It is the vehicle for the most significant and comprehensive collection of priority decisions that the United States government makes in the course of a year.

The FY84 budget comes at a time of intense national concern with unemployment and growing hunger and homelessness. It also comes at a time when many cities continue to experience severe economic and fiscal hardships.

This study is prepared by the staff of the United States Conference of Mayors. The Conference, founded in 1933, represents the largest cities in America; that is, those cities with a population of 30,000 or more. Judgments made in this document are based on policies adopted by the Mayors.

John J. Gunther
Executive Director
U.S. Conference of Mayors

February 3, 1983

OVERVIEW

Despite the Administration's call for a "freeze" on spending for domestic programs, the FY84 budget proposes major reductions in a wide range of programs which serve cities and the poor.

Under the Administration's budget, total grants to state and local governments, excluding payments to individuals, are proposed to be cut to their lowest level since FY77. These cuts come on top of three years of reductions proposed by the Administration and adopted by the Congress. In the last two years, grants to state and local governments have been reduced by more than $25 billion. The result of the additional FY84 reductions will be further layoffs, tax increases and service cuts at the local level, and the continued inability of cities to meet the needs of the unemployed and the poor.

The budget tells cities to assume new responsibilities with existing programs and fewer overall resources, while the beneficiaries of federal programs are told to address their unmet needs to state and local governments. Yet, many programs which meet the needs of the unemployed and low-income citizens are slated to be eliminated or sharply reduced, reductions which will compound the human and budget problems facing cities.

Although the Administration projects that the unemployment rate will remain high for the foreseeable future -- at 11 percent in 1983, and above 9.5 percent through December 1984 -- there are no proposals for any major employment initiatives, and some existing employment programs are proposed to be terminated or reduced below current levels.

We are deeply troubled that the FY84 budget proposes no new programs to address the growing national tragedy of hunger and homelessness. Cities are confronted with a large and increasing number of destitute families in need of emergency assistance. Yet, at a time when new programs are needed, many federal programs which do serve the poor are slated to be cut in FY84. Altogether, programs for low-income families would be reduced by $13 billion, or 14 percent in FY84, cuts which threaten further hardship for low-income communities and neighborhoods. These reductions include the following:

- Cuts in AFDC benefits and refugee assistance programs.
- A one-third reduction in the low-income energy assistance program at a time of steeply rising home heating costs.

- Major reductions in Food Stamp benefits for nearly all recipients, and a reduction in child nutrition programs below current levels.

- Cuts in a wide range of programs serving the elderly, including Section 202 and other elderly housing programs, the senior nutrition program, and other Administration on Aging programs, Medicare, and the Older Worker program.

- Major reductions in Medicare and Medicaid benefits.

- Elimination of the Community Services Block Grant program, which supports 850 community action agencies around the country, and termination of the Legal Services program and VISTA.

- Termination of the Work Incentive program.

- Elimination of the Juvenile Justice Delinquency and Prevention program.

For the first time in this budget, the Administration highlights federal grant-in-aid outlays for capital investment programs. Their totals show federal outlays for infrastructure programs growing from $20.6 billion in FY83, to $23.7 billion in FY84. This increase, however, reflects those highway and public transit programs financed by the gas tax increase enacted last year with approval of the Surface Transportation Assistance Act of 1982. While the U.S. Conference of Mayors supported the Administration in its efforts to increase the gas tax, we are concerned that the FY84 budget proposes cuts in other infrastructure programs, including public transportation, economic development, housing, and environment programs. Ironically, this is at a time when the infrastructure needs of cities are great, and the need for employment programs particularly urgent.

The federal budget for FY84 proposes total outlays of $848.5 billion, budget authority of $900.1 billion, and a deficit of unprecedented magnitude -- $188.8 billion. The FY83 deficit is even higher, a total of $207.7 billion. According to Administration economists, these deficits threaten to absorb nearly all net private savings in the economy in FY84.

The budget document cites domestic spending as the cause of high federal deficits -- what the Administration calls the "structural" deficits. However, the entire FY84 deficit is accounted for by the effects of the tax cut (the individual portion alone accounts for a revenue decrease of $97 billion), the rise in defense spending ($30 billion), and the rise in the deficit due to unemployment ($77 billion due to unemployment in excess of 7 percent).

The treatment of defense spending, interest costs, and revenues contrasts sharply with the treatment of domestic spending. Total domestic spending in FY84 is proposed to be reduced by 4 percent, or $10.2 billion in

actual dollars. At the same time, defense spending is scheduled to be increased by over 14 percent in FY84, and 56 percent since FY81. Similarly, interest costs have risen substantially, by nearly $30 billion, or 36 percent, since FY82.

According to the budget, these trends will continue into the future as shown in Table 1, with defense spending slated to total $1.8 trillion over the next five years.

TABLE 1

PERCENTAGE COMPOSITION OF FEDERAL BUDGET OUTLAYS[a]

	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86
Defense	24	24	24	26	29	29	31	33
Payments to Individuals	46	47	48	48	48	48	46	46
Aid to State and Local Governments (excluding aid to individuals)	11	10	8	7	6	5	4	4
Net Interest	9	9	10	11	13	12	12	12
Other	10	10	9	7	4	6	7	5

[a]Percentages may not add to 100 due to rounding.

Source: U.S. Budget, FY84, H-7, p. 69.

The Conference of Mayors is deeply concerned about the proposed abolition of and reduced funding for several important urban programs:

- Housing: Substantial reductions in assisted housing programs in FY84, as well as the deferral of one-third of the funds appropriated by Congress in FY83. In addition, the budget proposes to raise substantially the rents paid by very low-income families by counting food stamps as income and doubling the rate of rent increases.

- Transportation: A cut of nearly $800 million below the authorized level for the new Transit Block Grant, endangering transit operating assistance and capital programs.

- Environment: Reductions in EPA grants to state and local governments and the complete elimination of the Urban Parks program, state and local grants under the Land and Water Conservation Fund, and historic preservation programs.

- Community Development: Elimination of the Section 312 program, the Section 108 Loan Guarantee program, and Housing Counseling Assistance.

- Employment and Training: Reduction of youth training and employment programs, training programs for migrant workers, Indians, and other targeted groups, and no major new employment initiative to combat rising joblessness.

- Education: Proposals for tuition tax credits, reductions and changes in the compensatory education program for disadvantaged students and bilingual education, and additional reductions in college student aid -- proposals which threaten to weaken the public school system and undermine the educational opportunities of disadvantaged and middle-income young people.

- Economic Development: Elimination of the EDA program, virtually all direct loan programs of the Small Business Administration, and the credit programs authorized under the Trade Adjustment Assistance program.

- Energy: A major cutback in energy conservation programs, including low-income weatherization, grants to schools and hospitals, energy extension services, and state energy conservation programs.

The Administration makes several revenue recommendations in the FY84 budget. We are concerned that the budget proposes no continuation of mortgage revenue bond programs, despite the fact that these programs are now targeted to low-income groups. In addition, we oppose the tuition tax credit proposal, as likely to undermine the public school system.

However, we are heartened by the Administration's inclusion of its enterprise zone proposal, and a job tax credit for the long-term unemployed in their revenue proposals, and continue to hope that these proposals may have some effect, however modest, in stimulating employment.

We are also supportive of the small effort proposed in the budget to train dislocated workers, to continue revenue sharing and Community Development Block Grants at current levels, and to support state and local governments' law enforcement efforts.

CONCLUSION

The U.S. Conference of Mayors has strong misgivings and concerns about the reductions proposed in this budget. We are troubled by proposed cuts in employment and training activities, and by cuts in those programs which aid our neediest citizens at a time when new efforts are desperately needed.

We also have concerns about further reductions in urban programs. Over the last two years, cities have absorbed immense cuts in urban aid, which have led to tax increases and service cuts across the country. These reductions, together with the continued deterioration of our urban infrastructure, threaten to drive businesses and jobs in record numbers out of our cities. It is unfortunate that this budget contemplates additional cuts in economic development and infrastructure programs, and proposes no new initiatives to help rebuild streets and bridges, water and sewer lines.

Poor and middle-income workers and families would also suffer critical losses in federal assistance under the FY84 budget, on top of major cuts over the last two years. We do not believe further reductions in FY84 would be humane or equitable.

We pledge to work with the Congress to address these concerns, to initiate major new employment efforts, and to provide those services most important to our neediest citizens.

BUDGET PROCESS

The President's budget is the single most important document sent to Capitol Hill each year. However, it is the Congress, not the President, that writes the budget.

The Congressional Budget and Impoundment Control Act of 1974 (PL 93-344) established a process whereby the Congress writes its budget. House and Senate Budget Committees develop concurrent budget resolutions, which, when adopted, give Congress the overall guidelines for its budget. The first budget resolution, which must be adopted by May 15, sets targets to guide the Congress as it acts on particular tax and appropriation bills. The second and, in some cases, subsequent budget resolutions set a limit on total spending and a floor under revenues.

The deadlines for the Congressional budget process in 1984 are as follows:

January 31, 1983	President submits his FY84 budget.
March 15	Committees submit requests to budget committees.
April 15	Budget committees report first budget resolution for FY84 and the third budget resolution for FY83 to the House and the Senate.
May 15	Congress completes action on the budget resolution and reconciliation directions.
	Deadline for committees to report authorization bills.
	Appropriations may be considered only after this date.
August	Anticipated that action will be complete on reconciliation bill.
September 8	Deadline for the Congress to complete action on appropriations.
September 15	Congress completes action on the second budget resolution.
October 1	Fiscal Year 1984 begins.

Although these dates are supposed to be deadlines for Congressional action on the budget, most of the dates have been ignored or violated in recent years. For example, a continuing resolution has usually proven necessary as a result of tardy Congressional action on appropriations bills. In FY83, a continuing resolution was used to finance nearly all government programs, since the Congress completed action on only three out of thirteen appropriations bills.

Again last year, the Congress made use of the "reconciliation" process whereby the budget committees direct the other standing committees of the Congress, as part of the first resolution, to make cuts or revenue changes of a certain size in their programs. The specific reductions made by the standing committees are then packaged and consolidated by the budget committee into one omnibus reconciliation bill. The reconciliation procedure introduces significant inflexibility into the budget process at an early stage. The first resolution becomes a binding ceiling on spending, rather than a series of targets. The committees may make substantive changes in law as part of the reconciliation bill, bypassing the normal legislative process. During the last two years, block grants and other authorizing changes have been enacted as part of the reconciliation process. The reconciliation procedure is expected to be used once again this year in both the House and Senate.

Based on past experience with the budget committees and the Congressional budget timetable, the budget committees are not likely to add money to the budget for urban programs unless the funding is requested by the standing committees of the Congress by the March 15 deadline. The first budget resolution is of vital importance. Unless funding for new and expanded urban programs is included in the first resolution, it will be difficult to win Congressional approval of appropriations and authorizing legislation. This is because the spending targets of the first resolution have usually been interpreted as ceilings on spending, an inflexibility which is made more acute by Congressional use of the reconciliation process.

The Congressional budget procedures also impose constraints on Presidential impoundments. A decision by the Administration to withhold funds from a program must be reported to the Congress in a special rescission message and approved by both the House and Senate. If the Congress does not approve the proposed rescission within 45 legislative days, the funds must be spent. If the President would like to defer spending until a later point in the fiscal year, he may do so unless one house of Congress disapproves the deferral. Historically, few deferrals have been disapproved.

ECONOMIC AND TAX POLICY

The federal budget is directly influenced by economic conditions. The economic assumptions underlying the federal budget determine to a great extent the size of the deficit, revenues, interest costs and expenditures for unemployment compensation, welfare, food stamps and other social programs.

Likewise, the federal budget profoundly affects the performance of the economy. Federal outlays now account for over 24 percent of the Gross National Product (GNP) and the federal debt is equal to 46 percent of GNP--the highest level since World War II. Given the magnitude of the federal sector, changes in tax or spending policy can have a significant effect on GNP growth, unemployment, inflation and interest rates.

ECONOMIC ASSUMPTIONS IN THE BUDGET

The Administration's economic assumptions are shown in Table 1. The Administration is expecting a weak economic recovery to commence sometime during the first half of 1983 and continue through the next five years. Nevertheless, unemployment is expected to remain very high by historical standards, averaging 10.7 percent in calendar 1983 and 9.9 percent in 1984. At the end of 1987 the unemployment rate is still projected to be above seven percent.

Despite this persistently high unemployment rate, there are almost no new funds for employment programs and some employment efforts are phased out entirely.

In recent years the Administration's economic projections have been widely inaccurate. For example, one year ago, the Administration predicted that the unemployment rate in 1983 would be 7.9 percent. Now the projection is 10.9 percent. This higher unemployment rate is largely responsible for the runaway deficits. Similar misestimates have been made for GNP growth, interest rates, inflation and other economic indicators. The Administration devotes an entire section of the budget to this problem of poor economic and budget estimates--one which has plagued most Administrations of recent years

FEDERAL DEFICIT

The federal deficit is estimated to total $208 billion in FY83, $189 billion in FY84 and $194 billion in FY85. There is no prediction of a balanced budget anytime in the foreseeable future, although Administration officials express hopes that a balanced budget might be achieved sometime "near the end of the decade."

The deficits are the largest ever recorded. Even as a percent of GNP they are the highest recorded since World War II. Moreover, there is significant

concern that the high deficits will crowd out private investment in the capital markets; in fact, it is estimated that the federal deficit in FY84 will absorb 94 percent of net private savings in the economy.

The budget document attempts to explain at some length why the Administration's budget and economic goals have faltered. The Administration cites the "structural deficit" inherited from previous Administrations as the reason for the huge deficits of 1983 and beyond.

Table 2 compares the FY84 deficit with the effects of the tax cut and other policies. As can be seen, the entire deficit can be explained by the increase in defense spending, the effects of unemployment on revenues and outlays and the cut in individual income taxes.

FEDERAL SPENDING

Total federal outlays are scheduled to rise $43.3 billion in FY84, from $805.2 billion in FY83 to $848.5 billion in FY84. All of the increase can be accounted for by the rise in defense spending of $30.5 billion and the increase in interest costs of $14.3 billion--a total of $44.8 billion. This means there is a reduction in other federal programs.

According to the Administration, there is a four percent reduction in domestic spending, which translates into a drop of $10.2 billion. After inflation, the cut is even more severe. Thus, despite the talk of a freeze on spending, there is actually a fairly substantial reduction in some areas.

GRANTS TO STATE AND LOCAL GOVERNMENTS

Total grants to state and local governments are projected to total $95.9 billion in FY84. Without the recent increase in the gas tax used to finance highway and transit programs, there would be a decrease in federal grants-in-aid. Excluding these user-fee programs and payments to individuals classified as grants, state and local aid would decline in this budget by $1.5 billion to $47.1 billion, the lowest level since FY77. After inflation, the decline is an even larger $3.7 billion.

These cuts, on top of those legislated during the past two years, continue the significant diminution of the federal role in aiding state and local governments.

This budget, for the first time, breaks out grants made to state and local governments for capital investment. According to the Administration (and as shown in Table 3) growth for capital investment will total $23.7 billion in FY84.

TAX POLICY

The Administration's FY84 budget shows a continuing shift in the federal revenue structure, initiated with the enactment of the Economic Recovery Tax Act (ERTA). Corporate income taxes have declined from 15.4 percent of total federal revenues in FY77 to an estimated 7.8 percent in FY84. Estate and gift taxes have fallen from 2.1 percent of revenues to 0.9 percent over the corresponding period. At the same time, social security taxes continue to escalate,

climbing to 37 percent of total revenue in FY84. Thus, the shift is toward a greater direct tax burden for low- and middle-income workers.

The Administration budget proposes several tax changes, including the following:

- Mortgage revenue bonds: The Administration does not propose to repeal the "sunset" provision, banning the issuance of mortgage revenue bonds after December 31, 1983.

- Enterprise zones: The Administration proposes that beginning in 1983 up to 25 areas be designated enterprise zones. In these areas, a variety of federal tax incentives would be offered, including employment tax credits, additional investment tax credits, and continued availability of small issue industrial revenue bonds.

- Tuition tax credit: Beginning in 1983, the Administration proposes to provide taxpayers a nonrefundable tax credit for tuition paid to private schools. The credit would be $100 for each dependent in 1983, $200 in 1984 and $300 in 1985 for taxpayers with adjusted gross incomes up to $60,000 (with a phasedown between $40,000 and $60,000).

- Jobs tax credit: The Administration proposes a six-month extension of the Federal Supplemental Benefits program for the long-term unemployed. Recipients would have the option of receiving a voucher equivalent in value to the unemployment payment which would entitle an employer hiring that individual to an employment tax credit equal to half the benefit for up to 32 weeks.

- Tax incentive for higher education: The Administration proposes to exclude from tax, earnings from special savings accounts established to pay the college expenses of dependent children. The maximum contribution to these accounts would be $1,000 annually per child for taxpayers with up to $60,000 of adjusted gross income (with a phase-down between $40,000 and $60,000).

- Social security: Social security tax increases would be accelerated, with a first-installment rise from 10.8 percent to 11.4 percent on January 1, 1984. This increase would be offset by a refundable tax credit of 0.3 percent. In addition, self-employment taxes would be increased substantially. Half of social security benefits would be taxed for those earning more than $20,000 in adjusted gross income from non-social security sources ($25,000 if married). Additional revenues would be gained from expanding social security coverage to federal and non-profit employees and prohibiting future withdrawals of state and local workers from the system.

- Contingency tax: In the event deficits remain high in 1986 and beyond, the Administration proposes a contingency tax of one

percent of taxable income, plus an excise tax on oil of $5 per barrel.

- Health insurance: The Administration proposes to impose income and social security taxes on employer contributions to health insurance in excess of $2,100 per year for a family plan and $840 a year for a single plan.

CREDIT ACTIVITIES

The Administration's FY84 budget proposes major reductions in credit activities. Direct loan programs would be slashed from $39.6 billion to $30.4 billion, with most of the cut occurring in Small Business Administration (SBA) loans, Section 202 loans for the elderly and handicapped and rural housing programs, which are to be replaced with a block grant to states. SBA direct loans are to be eliminated, with the exception of $41 million in direct financing for minority enterprise small business investment companies and funds to cover defaults.

Loan guarantees for FY84 are also slated to be reduced from $197.9 billion in FY83 to $179.2 billion in FY84, despite the fact that there is likely to be more demand for such programs as the economy improves and interest rates continue to decline.

Off-budget credit activities of the Federal Financing Bank (FFB) are reduced substantially by more than $4 billion, from $14.3 billion to $10.2 billion. The FFB expands other credit activities of the federal government by purchasing the securities and guaranteed debt of various federal agencies.

TABLE 1

ECONOMIC FORECAST

	1981	1982	1983	1984
Gross National Product[a]	0.7	-1.2	3.1	4.0
Consumer Price Index[b]	10.3	6.0	4.9	4.6
Unemployment Rate[c]	8.1	10.5	10.4	9.5
Interest Rate (percent), 91 Day Treasury Bills	14.1	10.7	8.0	7.9

[a] The percentage increase in real GNP in constant 1972 dollars, fourth quarter over fourth quarter.

[b] Percentage change, year over year.

[c] Percentage change, fourth quarter to fourth quarter.

Source: U.S. Budget FY84, p. 2-9.

TABLE 2

FY84 DEFICIT
(dollars in billions)

FY84 Deficit	$188.8
FY84 Increase in DOD Spending (Outlays)	29.7
Effect of Unemployment[a]	76.8
Tax Cut[b]	97.2
TOTAL	203.7

[a] Difference between the Administration's projected unemployment rate of 10.5 percent and 7.1 percent, the rate in 1980.

[b] This is the tax cut enacted in 1981 as part of the Economic Recovery Tax Act (ERTA), individual portion only.

TABLE 3

COMPOSITION OF GRANTS-IN-AID OUTLAYS
(dollars in billions)

	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84
Total Grants to State and Local Government	68.4	77.9	82.9	91.5	94.8	88.2	93.5	95.9
Payments to Individuals	23.9	26.0	28.8	34.2	39.9	40.7	45.0	45.5
Capital Investment[a]	16.1	18.3	20.0	22.5	22.1	20.5	18.9 (1.7)	19.9 (3.8)
General Purpose Grants[b]	9.5	9.6	8.3	8.6	6.9	6.5	6.5	7.1
Broad Based Grants[c]	8.3	11.5	11.7	10.3	10.3	11.5	11.8	11.6
All Other	18.9	24.0	25.8	26.2	25.8	20.5	21.5	19.6
Total Grants Other than Payments to Individuals[a]	44.5	51.8	54.1	57.3	54.8	47.4	46.9 (1.7)	46.6 (3.8)

[a] Figures in parenthesis are additional funds for highway and mass transit programs financed by the Highway Revenue Act of 1982.

[b] Primarily general revenue sharing.

[c] Includes Community Development Block Grant Funds; thus, CDBG funds are double-counted under capital investment funds and broad-based grants.

Source: U.S. Budget FY84, Special Analysis H, pp H-18 and H-20.

AGING

The Administration's FY84 budget request of $998 million for the Administration on Aging (AoA) represents a reduction of $56 million from the FY83 appropriation level. It cuts nutrition programs by $32 million and nearly eliminates (through a 78 percent reduction) the Title IV Training and Research program. The FY84 budget request includes (for the first time within AoA's budget) a $277 million for an Employment and Economic Development program. This assumes the replacement, at a slight reduction, of the older worker program now in the Department of Labor (DOL). It also assumes the transfer of the food commodities program at the current funding level of $100 million from the Department of Agriculture (USDA). Last year Congress rejected similar Administration proposals to transfer the USDA commodities program and abolish the DOL-administered older workers program.

While the FY84 budget for AoA represents only a slight reduction from FY83 funding levels (less than 10 percent), the cuts are significant in that they signal a continuation of a trend, begun in FY82, of reductions in federal funds for nutrition and support services for older Americans. These cuts in programs providing necessary support services specifically for the elderly become more critical when combined with proposed budget reductions in other programs benefitting the elderly (e.g., Medicare) and changes in Social Security. Other reductions in programs serving the elderly (as described in greater detail in other sections of this document) include the proposed 25 percent cut in Section 202 elderly housing, the phase-out of the Community Services Block Grant, and an increase in out-of-pocket medical expenses to be paid by Medicare recipients.

OLDER AMERICANS ACT

The FY84 budget maintains the Older Americans Act as a separate state administered categorical program which funds nutrition and support services for persons aged 60 and older. While the proposed $56 million in cuts are divided among various AoA programs, most of the reduction is in the nutrition program ($32 million) and in training ($17.5 million).

- State Agencies on Aging: The budget request of $20 million represents a $2 million reduction from FY83 for the support of state administration, advocacy, and technical assistance. States have increased flexibility in allocating these funds as a result of the 1981 Amendments to the Older Americans Act. States are responsible for the development of a state plan and for designating local Area Agencies on Aging (AAA).

- Support and Centers: The Administration's FY84 request of $241 million, unchanged from the FY83 level, funds a wide range of support services, such as in-home services, transportation,

counseling, information and referral, crime prevention and outreach, through approximately 700 local AAAs, usually non-profit agencies, councils of governments and county governments. Currently 18 cities are designated as AAAs.

- Nutrition: The Administration's FY84 budget request for nutrition of $449 million, including $100 million transferred from the USDA food commodities program, represents a reduction of $32 million from FY83 levels for both the congregate ($291 million) and home delivered ($58 million) programs. The budget assumes that increased contributions from participants and other administrative changes will maintain the FY83 level of nearly 734,000 daily meals served five days each week. The 1981 Amendments to the Older Americans Act provide flexibility to allow a transfer of up to 20 percent of funds between nutrition and support services.

- Research, Training, and Discretionary Program: The FY84 budget request of $5 million represents a $17.2 million reduction (78 percent) from FY83 for the consolidated research, training, and discretionary program. The proposed FY84 level would nearly eliminate the program, funded in FY80 at $54.3 million. This discretionary program has supported training, information gathering and dissemination, and research and technical assistance which has helped many communities develop their capacity to meet the needs of older residents. The proposed Title IV cuts are exacerbated by the elimination in FY82 of the National Clearinghouse on Aging and the growing need of local governments for information to meet increasing responsibilities for aging services.

EMPLOYMENT PROGRAMS

The Administration's FY84 budget requests no separate funds for the Senior Community Services Employment Program, appropriated at $282 million in FY83. This program is authorized by Title V of the Older Americans and administered by the Department of Labor (DOL) through eight national contractors (78 percent of effort) and state governments. It provides 54,200 part-time work opportunities to unemployed low-income persons aged 55 and older. The Administration proposes to replace this program with a new AoA program that would broaden the range of Title III services to include older workers. The AoA FY84 budget request of $277 million for an Employment and Economic Development Program assumes the transfer of the DOL older worker program.

OLDER VOLUNTEERS

The FY83 budget request of $88 million essentially maintains the FY82 program levels of three ACTION-administered volunteer programs for persons aged 60 and older. These are:

- Retired Senior Volunteer Program (RSVP): $27.5 million would provide community volunteer opportunities to nearly 345,000 older citizens through grants to public and non-profit organizations in local communities.

- Senior Companion Program: $12 million would support nearly 4,100 low-income elderly in voluntary efforts to provide care and companionship to approximately 14,500 frail elderly.

- Foster Grandparents: $48.4 million would support nearly 18,000 low-income elderly in volunteer activities to provide companionship and guidance to approximately 54,000 mentally, physically or emotionally handicapped children.

ELDERLY HOUSING

The Administration's FY84 budget proposes new loan authority of $476 million for the Section 202 Loan Program and Housing for the Elderly and Handicapped. This is a reduction of $158.2 million (25 percent) from FY83 for direct loan obligations. The Administration proposal would provide long-term loans (limited to 9 1/2 percent interest) to non-profit sponsors for new construction of elderly/handicapped housing, but at a reduced level of 10,000 new units in FY84 (compared to 14,000 units in FY83 and 17,000 units in FY80). These Section 202 units are administered in conjunction with the Section 8 low income housing assistance program, and are required to ensure a range of necessary support services for low-income occupants. The Budget Reconciliation Act of 1981 increased the rent payment of assisted housing tenants from 25 percent to 30 percent of income, phased in over a five-year period. (See the Community Development and Housing section of this document for additional housing program details.)

OTHER PROGRAMS

Other sections within this publication discuss Social Security and Medicare and also discuss programs such as transportation, community development, food stamps, energy assistance, and social services which are not targeted specifically to the elderly. However, reductions and administrative changes in these programs will have a significant impact on the elderly, due in large part to their high level of participation in them. In 1980, 15.1 percent of the elderly were classified as poor. In 1981 the House Select Committee on Aging compiled statistics on elderly participation in many of these programs, including:

- Medicaid: Approximately one in five older Americans is a Medicaid recipient. Most are over the age of 75. Nearly 15 percent (2.82 million) of the Medicaid participants are elderly; they account for nearly one-third of Medicaid expenditures.

- Food Stamps: Nearly 2.5 million individuals, 10 percent of all food stamp recipients, are elderly persons. Many more elderly are eligible, but are reluctant to participate.

- Social Services Block Grant: Estimates are that nearly one million older persons receive Title XX benefits, including 400,000 elderly who receive Supplemental Security Income.

- Other: Many other federal programs benefit or include large numbers of elderly participants. For example: legal services (187,000 older participants); housing (nearly 40 percent of public housing residents

are elderly); community services (1.5 million low-income elderly participants); low-income energy assistance (45 percent of participants are age 65 and older).

COMMENT

Last year during the 50th Annual Conference of Mayors hearings on the impact of the federal budget cuts on services for the urban elderly were held by the House Select Committee on Aging. Mayors representing cities of all sizes testified that the safety net of essential support services created by the federal government to assist the elderly was being unraveled. Many related the difficulties that they were experiencing locally in filling the funding gap created by dramatic reductions in federal funds. (These difficulties will be exacerbated by the additional cuts proposed in the FY84 budget.)

Each day approximately 5,000 persons celebrate their 65th birthday for a net increase of nearly 600,000 elderly persons each year. At the present time there are approximately 25.5 million persons aged 65 and older, nearly two-thirds living in urban areas, and half of these in central cities. City governments are in a period of transition regarding services for older residents. They are being called upon to assume a larger role in the provision of support services at a time when public resources are being reduced.

ADMINISTRATION ON AGING BUDGET AUTHORITY
(dollars in millions)

	FY80	FY81	FY82	FY83[a]	PROPOSED FY84	DOLLAR CHANGE FY83-84
State Agency Activities	22.5	22.7	22	22	20	- 2
Support Services and Centers	247	252	241	241	241	---
Nutrition:						
Congregate	320	295	287	319	291	- 28
Home Delivered	---	55	57	62	58	- 4
USDA Food Commodities*	72	87	93	100	100	---
Employment and Econ. Devel.[b]*	267	277	277	282	277	- 5
Research, Training, and Discretionary Projects[c]	54.3	40.5	22.2	22.2	5.0	- 17.2
Indians	6	6	5.7	5.7	5.7	---
Federal Council on Aging	.5	.5	.2	.2	.2	---
National Clearinghouse	2	1.8	1.7	---	---	---
TOTAL	652.3	673.5	636.8	672.1	620.9	- 51.2
Net Total With: USDA Nutrition Transfer*	724.3	760.5	729.8	772.1	720.9	- 51.2
DOL Older Worker Transfer*	991.3	1037.5	1006.8	1054.1	997.9	- 56.2

* Programs proposed for transfer to Administration on Aging.

[a] The FY83 Continuing Resolution (PL 97-377) maintains most AoA programs at the FY82 level through September 30, 1982. The exception is a $37 million increase for nutrition.

[b] The FY84 budget includes the Administration's proposal to transfer the Title V Community Services Employment Program currently administered by Department of Labor (DOL) to the Administration on Aging.

[c] For FY81 and previous years, the totals for Research, Training and Discretionary Projects were broken down into the categories of Training, Research, Discretionary Projects, and Multidisciplinary Centers.

Source: U. S. Budget, FY84, Appendix, p. I-K45 and D/HHS 1/31/83 press release, p.58.

ARTS AND HUMANITIES

NATIONAL ENDOWMENT FOR THE ARTS

The FY84 budget request for the National Endowment for the Arts (NEA) is $125 million, a 13 percent ($18.8 million) decrease from NEA's FY83 budget appropriation by the Congress of $143.8 million.

The table below presents appropriations for NEA from FY80 through FY84, with $150 million as the average for the period. Whether compared with the average appropriation for NEA ($150 million) or the FY83 appropriation figure ($143.8 million), the Administration's budget request of $125 million represents a decrease.

CONGRESSIONAL APPROPRIATIONS FOR NEA, FY80-FY84
(dollars in millions)

FY80	FY81	FY82	FY83	FY84 (Proposed)
154.4	158.6	143.4	143.8	125.0

Sources: For FY80-FY82 figures, History of Authorization and Appropriation through FY82, National Endowment for the Arts, p. 4.

For FY83 and FY84 budget request figures, Congressional Arts Caucus, House Annex 2, Washington, D.C. 20515, and Briefing Paper prepared by the National Endowment for the Arts, Arts Endowment Budget Request for Fiscal 1984, January 31, 1983, p. 1.

Grant money authorized by the Congress comes to NEA through program funds, Treasury funds, and Challenge Grant funds. The Administration's FY84 budget request for NEA's regular program funds is $86.8 million, a decrease of $14.8 million or 14.6 percent from the $101.7 million appropriated by the Congress for FY83. The majority (more than 90 percent) of NEA's regular program funds require a minimum match of $1 in non-federal dollars for each grant dollar. By law, not less than 20 percent of the program funds are allocated for state arts agency block grants and for additional grants to the states and to regional arts organizations. The 14.6 percent reduction proposed by the Administration would thus reduce the allocation available for state arts

agencies and for additional grants, resulting in intensified competition for remaining funds.

Treasury funds for NEA, which require the equivalent of $3 in match for each $1 in federal grant money, would be reduced in FY84 from the $11.2 million FY83 level to $8 million, or a reduction of $3.2 million (28.5 percent) from the FY83 level.

Challenge Grant funds require a match of at least $3 in new or increased donations of non-federal dollars for each grant dollar. The Administration's request of $17.1 million calls for a reduction of $1.3 million, or 7 percent, from the FY83 appropriation of $18.4 million.

The FY84 budget request would increase slightly NEA's budget for administration. The proposed $13.1 million, compared to the $12.6 million appropriated by the Congress for FY83, represents an increase of $.5 million, (or 3.8 percent).

INSTITUTE OF MUSEUM SERVICES

In 1982, the Institute of Museum Services (IMS) was transferred from the Department of Education and established as an entity within the National Foundation on the Arts and Humanities. The IMS assists museums of all sizes and disciplines to maintain, increase, and improve their services to the public.

In 1982, the Administration proposed to eliminate the IMS, requesting a rescission of FY82 funds ($11.5 million) for phasing out the Institute. The Congress voted an appropriation of $10.8 million for the IMS, which was supplemented by $.72 million in unspent funds from FY82, totalling $11.5 million for the IMS in FY83.

Again in FY84, the Administration's budget request for the Institute of Museum Services is $11.5 million.

NATIONAL ENDOWMENT FOR THE HUMANITIES

The Administration's FY84 budget request for the National Endowment for the Humanities (NEH) is $112.2 million, a reduction of $17.9 million (13.7 percent) from the FY83 appropriation of $130 million.

CONGRESSIONAL APPROPRIATIONS FOR NEH, FY80-FY84
(dollars in millions)

FY80	FY81	FY82	FY83	PROPOSED FY84
150	151	131	130	112

Source: Office of Public Affairs, National Endowment for the Humanities, February 1, 1983, interview.

The average of the appropriations for NEH, FY80 through FY83, is $140.5 million.

Under the FY84 budget request, regular program funds for NEH would be $72.8 million (a decrease of $17.6 million or 19 percent from the FY83 Congressional appropriation); Treasury funds to match private gifts would be $10.6 million (a decrease of $460,000 or 4 percent); Challenge Grants would be $16.5 million (a decrease of $364,000 or 2 percent); and administrative expenses would be $12.3 million (an increase of $600,000 or 4.8 percent).

Within the category of regular program funds, two areas are of particular interest to cities: General Programs (formerly called Public Programs) and State Programs.[1]

General Programs affect the general public because they encompass: 1) humanities projects in the media, i.e., the development, production, and distribution of public television and radio programs; 2) humanities projects and exhibits in museums and historical organizations; and 3) special projects, such as youth programs and program development for libraries and special projects.

The Administration's FY84 budget request of $15.3 million for General Programs within NEH calls for a decrease in funds below the actual $16 million FY82 funds for General Programs and substantially less than the FY83 appropriations of $25 million. The 39 percent decrease for this category would have a significant impact on cities and their citizens.

[1] Public Affairs Office, NEH, interview, February 1, 1983, and NEH Briefing Paper, National Endowment for the Humanities Announces FY84 Budget Request, January 31, 1983.

Similarly, State Programs would undergo a decrease in funding from the previous FY82 $20.3 million and the FY83 appropriation of $20.3 million to the Administration's proposed $15.9 million. This represents a decrease of $4.4 million (almost 22 percent). State Programs fund approximately 3,000 local humanities projects, reaching and involving 19 million people in all fifty states, the District of Columbia, Puerto Rico, and the territories. State councils are granted the funds from NEH, which in turn award the funds (which must be matched) for quality projects in the humanities.

COMMUNITY DEVELOPMENT AND HOUSING

COMMUNITY DEVELOPMENT

The proposed FY84 Department of Housing and Urban Development (HUD) budget would maintain funding for the basic Community Development Block Grant (CDBG) program at the same level as FY83 appropriations. A $75 million Indian demonstration block grant is proposed with $44 million in additional funds and $31 million from the Secretary's discretionary fund. In addition, HUD proposes to allow new housing construction as an eligible activity of CDBG.

The FY84 budget proposes only $196 million in new appropriations for the Urban Development Action Grant (UDAG) program, a cut of 56 percent from FY83, and proposes to defer $244 million in current UDAG funds from FY83 in order to provide $440 million in FY84.

HUD again offers the Rental Rehabilitation Grants program, similar to last year's proposal, at a level of $150 million with an equal match from local governments. This would replace the Section 312 program and the Section 8 Moderate Rehabilitation program. In addition, HUD proposes an extension of Urban Homesteading to include multi-family housing units. Specific details of these programs follow.

Community Development Block Grants

The FY84 budget proposes a total $3.5 billion for community development block grant spending. This is a $44 million increase over both the FY82 and FY83 levels of $3.456 billion. However, the entire increase is earmarked for a demonstration block grant program for Indian tribes with a budget authority of $75 million. Of this amount, $31 million reflects current funding from the Secretary's discretionary Indian funds, and the balance of the $44 million is from the proposed FY84 CDBG budget increase. Funding for the basic CDBG program would remain constant with FY83 levels.

The budget also proposes expanding the list of eligible activities under CDBG to include new construction of housing. CDBG funds are distributed on a 70 percent/30 percent split for entitlement and nonentitlement categories. According to HUD, 735 cities and counties will have entitlement status in FY83 compared to 732 in FY82.

Urban Development Action Grants

The FY84 budget requests $196 million for UDAG, a decrease of $244 million from FY83. The Administration proposes to bring the FY84 UDAG budget up to the FY83 appropriation level of $440 million by deferring $244 million from previous years and making it available in FY84. While fully 61 percent of the deferred funds derive from the Small Cities UDAG set-aside, the budget proposes to provide only 25 percent of these funds for Small Cities in FY84. This ensures that the overall split between large and small cities will remain at the 75/25 level mandated by Congress. According to HUD, these funds have carried over from previous years because of a lack of adequate, fundable proposals.

Section 108 Guarantees

The budget for FY84 would abolish the Section 108 Loan Guarantee program. The FY83 level of loan obligations is $225 million.

Urban Homesteading

The FY84 budget proposes an appropriation of $12 million for urban homesteading, $9 million of it to support 818 single-family properties. The balance of this request, $3 million, is planned to support a proposed multi-family demonstration using 15 buildings, averaging 30 units each, for a total of 450 units. The number of cities participating in the program at present is 107, with 10 additional cities anticipated in FY83 and FY84.

Section 312 Rehabilitation Loans

The budget proposes to terminate the Section 312 program in FY84 with future rehabilitation assistance to be available under the CDBG program and the proposed Rental Rehabilitation Grants program (see below). HUD estimates that $84.1 million in balances and receipts will be available in FY83 to fund 1,090 single units and 6,340 multi-family units.

Rental Rehabilitation Grants

The FY84 budget proposes an appropriation of $150 million to implement a new Rental Rehabilitation Grants program. This program is designed to provide assistance to local and state governments for rehabilitation of small rental properties in certain market areas where there is a lack of available standard existing housing. According to HUD, this new program would be targeted to neighborhoods with low vacancy rates and dilapidated housing which is available for rehabiliation, and would be available for both single and multi-family properties. Also, special allocations of Housing Payments certificates with which the budget proposes to replace Section 8 Existing Housing, would be made available in conjunction with this program. Rental Rehabilitation Grants funds could not finance more than 50 percent of the cost of individual projects. Local governments would have to match these funds from either private or public sources.

Rental rehabilitation funds would be used to subsidize rehabilitation of properties for rental at competitive market rates in the area. Communities would be free to coordinate these funds with CDBG funds and would have wide discretion in determining the type and level of subsidy. The program would replace the Section 312 Rehabilitation Loan program and the Section 8 Moderate Rehabilitation program.

Policy Development and Research

The Department is requesting an $18 million appropriation for its Policy Development and Research activities. This request remains at the FY83 level, although it reflects a decrease of $2 million from FY82. The program will continue to focus on improving the efficiency, effectiveness and equity of HUD programs and on identifying ways of achieving cost reductions.

Housing Counseling

The FY84 budget proposes to discontinue the Housing Counseling Assistance program. However, the Department would continue to certify and/or recertify local public and private nonprofit agencies that provide HUD-approved housing counseling, although it would not contribute to the cost of providing these services. The FY83 appropriation is $3.5 million.

Neighborhood Reinvestment Corporation

The Administration is seeking $15.5 million for the Neighborhood Reinvestment Corporation, the same as provided in the FY83 appropriation. The major activities of this independent agency include the establishment, provision of technical services to, and expansion of Neighborhood Housing Services programs and apartment improvement programs in older, declining residential neighborhoods. It also supports neighborhood preservation projects and the replication of successful neighborhood preservation projects.

SUMMARY

Funding for basic CDBG grants would remain constant in the FY84 budget, with no increase to account for newly eligible grantees or for inflation. A proposed $44 million increase over FY83 is devoted entirely to a $75 million Indian demonstration block grant, the balance of $31 million coming from the Secretary's discretionary Indian funds. The Administration also proposes to expand CDBG's eligible activities to allow new housing construction. If approved by Congress, this expansion could subject a limited, constant level of funding to increasing pressure locally.

In addition, with the 70/30 percent split for entitlement and non-entitlement categories, and with the increase in entitlement cities and counties, entitlement amounts will be reduced overall as in FY83.

In FY84, local governments should expect further changes in their grant amounts because of the impact of the 1980 Census figures.

For Small Cities (nonentitlement jurisdictions), funds are allocated by formula among the states. Presently, the states have the option of awarding and administering grants to nonentitlement communities at their own discretion and with any formula they so desire. Where the state does not so elect, HUD assumes these responsibilities for the state and administers the program using national guidelines. Legislation will be proposed in 1983 to require states to assume the Small Cities program in FY84.

In UDAG, the average annual appropriation between FY80 and FY83 was $558.85 million, nearly 65 percent higher than the $196 million now proposed for FY83. Even when the deferred amount of $244 million is added to bring the FY84 level up to $440 million, which was the FY83 level, the average annual appropriation between FY80 and FY83 is over 21 percent higher than FY84.

The future of the CDBG program may be in question because the Administration plans to propose folding the CDBG and General Revenue Sharing programs into one large block grant. This program would deregulate the use of CDBG funds and thereby effectively reduce the targetting aspect of CDBG. Local governments would have the local option of shifting 20 percent of their CDBG allocation for each of five years into the General Revenue Sharing allocation. The Administration also plans to propose other legislation which would fold the state-administered Small Cities CDBG program into a larger state block grant containing a wide variety of other programs. States would be required to pass the funds received through the CDBG fold-in to localities, but not necessarily for CDBG purposes.

The following chart shows comparative funding for CDBG, UDAG and related programs from FY80-FY84.

COMMUNITY DEVELOPMENT PROGRAMS
(dollars in millions)

	FY80 ACTUAL	FY81 ACTUAL	FY82 ACTUAL	FY83 PROPOSED	FY84 PROPOSED
CDBG Appropriations	$ 3,752.4	$ 3,694.6	$3,456.0	$3,456.0	3,500.0[a]
Section 108 Loan Authority Available	200.0	300.0	225.0	225.0	---
UDAG Appropriations	646.4	675.0	474.0	440.0[b]	196.0[c]
Urban Homesteading					
Properties Conveyed:					
Single Family (1-4 units)					
Number	790	1,105	796	1,510	818
Amount	$7.5	$10.6	$8.76	$16.619	$9.0
Multi-family (over 4 units)					
Number	NA	---	---	15	15
Amount	NA	---	---	$3.0	$3.0
Appropriations	---	---	---	$12.0	$12.0
Section 312					
Appropriations	$135.0	$5.6	---	---[d]	---
Loan Reservations	$203.2	$84.5	$49.4	$84.1[d]	---
Rental Rehabilitation					
Number of dwelling Units	NA	NA	NA	NA	30,000
Appropriation	NA	NA	NA	NA	$150.0[e]

[a] The $44 million increase is proposed as part of a $75 million demonstration grant for Indian tribes; the remaining $31 million of this demonstration reflects current funding from the Secretary's discretionary Indian funds.

[b] This figure does not reflect any carryover to FY84.

[c] The Administration proposes to increase the UDAG budget to the 1983 level of $440 million by deferring $244 million of carryover from previous years.

[d] This $84.1 million is estimated by HUD to be used to fund approximately 7,430 units in FY83. It will be available through use of balances and receipts.

[e] This $150 million must be matched locally with public or private funds.

Source: FY84 Budget, U.S. Department of Housing and Urban Development, Summary, January 1983.

HOUSING

The FY84 budget for housing continues the Administration's policy of relying almost exclusively on existing housing to meet the needs of low- and moderate-income people despite rising levels of homelessness.

Highlights of the FY84 proposals include:

- A request for only $514 million in new budget authority for assisted housing, compared to roughly $9 billion in new funds appropriated by Congress for FY83.

- Deferral of $3.1 billion in FY83 assisted housing funds, or one-third of those appropriated by the Congress, for use in the FY84 program.

- A proposal to substantially increase some tenants' rents in assisted housing by counting the value of food stamps in determining income, and doubling the rate at which rents can be raised in assisted housing from current levels.

- A proposal to create a new "Housing Payments Certificate" program with substantially lower subsidies from the federal government and potentially higher rents paid by eligible tenants.

- A major proposal to shift the financing of Public Housing Operating Subsidies from a cost-based Performance Funding System to a "Fair Market Rent" formula under which roughly 14 percent of all Public Housing Agencies (PHAs) would suffer some reduction in funds from current levels.

- The beginning of a four-year phase-out period for Public Housing Modernization funds. These would be replaced by provisions in the operating subsidy formula for a "replacement reserve" to be used at the discretion of the local housing authority.

Although the budget proposal seeks 90,000 incremental units of assistance -- including 50,000 through the new certificates and 30,000 through certificates in conjunction with a proposed Rental Rehabilitation Grant program -- only 44 percent of the total units proposed for reservation in the FY84 budget would add units to the current low-income housing inventory. The balance would be used to replace commitments under earlier program efforts. With the exception of 10,000 units of Section 202 housing for the elderly, all of the assistance is for existing housing units.

Rescissions and Deferrals

In FY83 the Department proposes to use only $12.9 billion, deferring to FY84 $3.1 billion available to it through appropriation, carry-overs and recaptures. This represents a 19 percent reduction.

The major substantive change proposed in the FY83 appropriation approved by Congress is a shift from using Section 8 Existing Housing Certificates to provide 67,146 units of housing in FY83 to the new proposed Housing Payments Certificates. Since the latter provide only 5 years of funding at a lower annual rate, compared to the 15 years under Section 8 Existing, the funds needed to comply with Congressional intent shrink from $3.8 billion in HUD's FY83 appropriation to $642 million. The budget proposes deferring the bulk of the difference. According to HUD's budget documents, failure to approve the new HPC program would mean only 34,190 units under Section 8, assuming only a five year term and only the $642 million budgeted by the Administration.

The FY84 budget also proposes to rescind $69 million in FY83 appropriations for public housing operating subsidies. The Department claims these funds are in excess of actual needs.

Finally, the FY84 budget proposes eliminating funds earmarked in the FY83 appropriation for the Section 8 Moderate Rehabilitation program. These funds would be reallocated to the property disposition and loan management programs HUD runs using federally owned or assisted housing projects. The agency projects being able to assist about 1,000 more units in this manner. However, this means that all of the funds allocated for this purpose by Congress would be used on already-subsidized units in the inventory, not on creating additional subsidized units as the Moderate Rehabilitation program could have under the FY83 appropriation.

FY84 Funding Levels

The budget proposes using $7.97 billion in budget authority for assisted housing programs in FY84. All but $514.7 million of this would come from recaptures, deferrals from FY83 appropriations, and carry-overs of existing funds. The total budget amount is roughly half of that made available by the Congress in the FY83 appropriation, only 61 percent of the amount HUD proposes to spend in FY83, and only 43 percent of the amount proposed for FY82 by the Administration.

Units Assisted

The budget proposes a total of 204,441 unit reservations in FY84. These break down as follows:

- 10,000 Section 202 units for the elderly and handicapped, with each unit carrying a Section 8 New Construction/Substantial Rehabilitation commitment as required by the Congress.

- 69,101 units converted from the Rent Supplement and Section 23 Leased Housing Program to the new, proposed Housing Payments Certificates.

- 5,000 units of Section 8 Existing Housing contracts to assist in managing HUD's financially troubled housing inventory.

- 50,000 Housing Payments Certificates for assistance to previously unassisted households.

- 30,000 Housing Payments Certificates to be used in conjunction with the Rental Rehabilitation Program (see Community Development section of this report for details on the Rental Rehabilitation program).

- 26,000 Housing Payments Certificates to replace Section 8 Existing Housing contracts whose terms have expired.

- 5,000 Housing Payments Certificates for tenants in public housing projects which are either sold or demolished during FY84.

- 1,000 Housing Payments Certificates for tenants living in Section 8 projects where owners don't renew their 5 year contracts.

- 8,340 Certificates for use in HUD's Property Disposition program.

Only the 10,000 units under Section 202 provide any new construction or substantial rehabilitation commitments. Of the remainder, only the 50,000 Certificates for new household assistance and the 30,000 earmarked for use in the Rental Rehabilitation program would add to the current inventory of assisted units. Most of the balance is scheduled to facilitate a shift from older, longer-term commitments under prior programs to the 5-year Housing Payments Certificates.

In total, the unit reservations forecast by the FY84 budget are substantially higher than those originally proposed by the Administration in FY83. However, they are 8 percent lower than the new unit reservations anticipated in the FY83 HUD appropriation for housing, and the units would be made available for shorter times and on less favorable terms to tenants than under the FY83 Congressional appropriation.

Housing Payments Certificates (HPCs)

The centerpiece of the Administration's FY84 budget is the proposal for a new Housing Payments Certificate (HPC) to replace the Section 8 Existing Housing Program. Under current law, HUD pays the difference between 30 percent of a tenant's income and the contract rent agreed upon by HUD and the unit owner. Tenants in the program are not permitted to pay more than 30 percent of their income for rent, nor is there any incentive to the tenants to find less costly shelter, since their payments remain the same -- 30 percent of income -- regardless of the rent. HUD signs a contract with the PHA to provide these subsidies over 15 years.

Under the HPC proposed in the FY84 budget, HUD's contribution would be based on the difference between an established rent payment standard for each market and 30 percent of a tenant's income. If a tenant finds a unit which is cheaper than HUD's rent standard, that tenant would be able to keep some of the subsidy for other uses. Conversely, if a tenant rents a unit which is more costly than the rent standard HUD uses, that tenant would have to contribute more than 30 percent of income to make up the rent payment. HUD estimates that HPC payments will average $1,900 per year per unit across the country. Currently, HUD budgets about $3,200 per year for Section 8 Existing, but this includes no consideration for tenant contributions and is based on a 15-year contract commitment. Modified Certificates would have a flat contribution for the tenants for five years, with no commitment for additional subsidies for those tenants after the fifth year, although such tenants would be eligible to apply for additional subsidy commitments if they still qualify for assistance. PHAs would administer the program locally, and would be required to adjust payments to reflect actual increases in housing costs. However, such increases would have to come from the total budget authority allocated to the PHA for the five-year program. This could mean that fewer actual households would be served at the end of the five-year period than were signed on in the beginning.

Tenant Contributions

HUD once again is proposing to count the value of food stamps received by assisted housing tenants as income, thereby effectively raising the cash amounts tenants would have to pay for rent. Moreover, the Department will request that Congress hike the maximum increase in rents tenants can be required to pay to meet higher rent-to-income ratio requirements and to accommodate the food stamp change. Current law restricts such increases to 10 percent per year. HUD wants to double this to 20 percent.

Public Housing

The budget proposes no new development authority for public housing. The Department's major initiative in public housing concerns the allocation of operating subsidies. Currently the Department uses a "Performance Funding System," which is based on historical costs in public housing to provide these funds. The FY84 budget proposes to allocate $1.6 billion for operating subsidies, but through a new, "Fair Market Rent"-based formula. Authorities would receive payments based on the fair market rents for comparable units in the area at the 40th percentile of all rents. These rents would be applied across the agency's inventory and aggregated. Then HUD would subtract from this total the amount of debt service now paid by HUD on the agency's construction bonds. The agency would receive the balance for operating the authority.

The concept behind this new system is to pay subsidies according to some benchmark in the private sector.

Although the $1.6 billion proposed is $300 million above the FY83 appropriation, HUD estimates that 14 percent of all PHAs will suffer a loss

from current levels of some degree because of the operation of the system. HUD will put the new Fair Market Rent system into effect through regulation.

The Administration's FY84 budget requests $1.4 billion for the public housing modernization program, or 44 percent less than the FY83 appropriation. The budget document indicates that this is the first of a four-year transition period in the modernization program, at the conclusion of which agencies will be switched over to complete reliance on a "replacement reserve" element in the "Fair Market Rent" operating subsidy system. Agencies will be allowed to use this replacement reserve as they see fit, for ongoing operations, maintenance, or capitalized modernization. By FY88, however, the budget envisions the termination of the current modernization program.

SUMMARY

HUD's FY84 budget for assisted housing continues the Administration's opposition to new production or substantial rehabilitation of housing for low- and moderate-income persons. Although the budget does propose a modest Rental Rehabilitation grant program and 50,000 units of incremental assistance through the Housing Payments Certificate program, in the aggregate it offers a level of funding substantially below historical levels. Where the FY82 budget envisioned about $18 billion in budget authority for total assisted housing, this budget proposes just over $7 billion, with almost all of this coming from recaptures of prior authorities and deferrals of already appropriated funds. Moreover, the budget proposes substantially reducing the level of assistance offered lower income persons through the adoption of Housing Payment Certificates and by raising the rents of the poorest and most vulnerable lower-income housing tenants by counting the value of food stamps as income in determining tenant contributions for rent.

Table 1 provides a comparison of assisted housing levels from FY80 to FY84, including FY83 estimates based on HUD's appropriation. Table 2 provides a comparison of the changes of FY83 levels that the FY84 budget is proposing.

TABLE 1

COMPARISON TABLE -- FEDERAL HOUSING PROGRAM LEVELS, FY80-84
(dollars in millions)

	FY80	FY81	FY82	FY83[f]	PROPOSED FY84
Section 8[a]					
New Construction/Substantial Rehabilitation Units	115,198	73,861	27,527	14,000[d]	10,000[d]
Moderate Rehabilitation Units	40,000	24,981	8,309	15,000	---
Existing Housing Units	47,022	85,289	97,570	67,146	74,101[e]
Conversion/Prop. Disp./Loan Mngmt	---	---	---	75,000	---
Housing Payments Certificates	---	---	---	---	120,340
Public Housing Units[a]	38,172	36,370	12,136	2,000	---
Public Housing Modernization	$50	$50	$90	$125	$70
Public Housing Operating Subsidies	$794	$1,200[b]	$1,494	$1,350	$1,636
Section 202 Units[c]	20,440	15,166	16,038	14,000	10,000
TOTAL UNIT RESERVATIONS, ALL PROGRAMS	240,392	220,501	145,542	173,146	204,441

[a] Number of Unit Reservations estimated by HUD to be available from appropriated funds.
[b] Includes supplemental appropriation approved December 1981.
[c] All Sec. 202 units are subsidized through Sec. 8, and are included in the totals for Sec. 8 new construction/substantial rehabilitation.
[d] All units under this category will be made available through the Sec. 202 program for the elderly and handicapped.
[e] All these commitments will be made to replace current commitments in the Sec. 23 and Rent Supplement programs.
[f] Based on amounts appropriated for HUD in FY83, H.J. Res 631.

Source: FY84 Budget Summary, HUD, January, 1983.
FY83 Budget Summary, HUD, February, 1982.
House Report 97-980, December, 1982.

TABLE 2

COMPARISON TABLE, FY83-84 FEDERALLY ASSISTED HOUSING LEVELS
(dollars in millions)

	FY83 Appropriation[a]	PROPOSED FY83	PROPOSED FY84
Section 8			
New Construction/Sub Rehab	14,000[c]	14,600	10,000[c]
Moderate Rehab	15,000	---	---
Existing Housing	67,146	---	74,101[d]
Conversions/Prop. Disp/Loan Mngmt	75,000	91,000	---
Housing Payment Certificates	---	67,146	120,340[e]
Public Housing	2,000	2,000	---
Public Housing Modernization	$125	$125	$70
Public Housing Operating Subsidies	$1,470	$1,281	$1,636
Section 202 Units[b]	14,000	14,000	10,000
TOTAL UNITS RESERVATIONS, ALL PROGRAMS	173,146	174,746	204,441

[a] Assumptions included in House Report No. 97-980, December, 1982.

[b] All Sec. 202 units are also counted in the total for "Section 8: New Construction."

[c] Proposed exclusively for use with Sec. 202 projects.

[d] For use in converting pre-existing Sec. 23 commitments and Rent Supplement contracts, as well as property disposition and loan management programs.

[e] Includes 30,000 certificates for use with Rental Rehabilitation Initiative.

Source: FY83 Budget Summary, HUD, February, 1982.
House Report No. 97-980, December, 1982.
FY84 Budget Summary, HUD, January, 1983.

ECONOMIC AND BUSINESS DEVELOPMENT

ECONOMIC DEVELOPMENT ADMINISTRATION

The Administration proposes to terminate the Economic Development Administration (EDA) by shifting almost all of its remaining FY83 appropriation to the Small Business Administration and requesting no additional funds in FY84. Although $198.5 million was appropriated for EDA's activities in FY83, the FY84 budget proposes to shift $158.5 million of this to SBA for use in the business loan and guarantee programs. The balance of $16.6 million in EDA program funds would remain available for appropriation to economic development activities at the discretion of Congress. The budget also requests $18 million in administrative funds for FY84 to monitor past grants and close down EDA during the year.

Although the Administration has proposed terminating EDA in the last two budgets, Congress has responded by providing funding at levels greatly reduced from authorized levels.

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS
(dollars in millions)

	FY80	FY81	FY82	FY83	PROPOSED FY83	PROPOSED FY84
Planning	$33.8	$23.9	$24.7	$25.5	---	---
Technical Assistance	31.0	26.3	8.2	8.3	---	---
Development Grants	263.5	273.3	129.9	130.0	---	---
Economic Adjustments	86.9	12.6	33.0	33.0	---	---
Direct Loans	61.8	54.1	---	---	---	---
Loan Guarantee Payments	27.9	32.0	---	---	---	---
Research & Evaluation	4.0	2.7	1.6	2.0	---	---
Total Obligations	$508.9	$424.9	$197.6	$198.8	$16.6[a]	---

[a] The $16.6 million remaining from the transfer of funds to SBA and from EDA's revolving loan program will be appropriated to the above technical assistance programs as determined by Congress.

Source: U.S. Budget, Appendix, FY81, FY82, FY83, FY84.

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) assists minority participation in business ownership through increased minority business enterprise formation, expansion, and reduced failure rates. Within these activities is MBDA's primary delivery system--the Minority Business Development Centers (MBDCs) which are located in 100 metropolitan areas.

Approval of the FY84 budget would maintain MBDA's program level at $60 million with an 11 percent increase in MBDA's FY84 budget to $54 million (up from $48 million in FY83). The budget requests $54 million for FY84 and anticipates raising an additional $6 million through continuation of MBDA's cost sharing arrangement with minority businesses.

In FY83, the program level was $60 million, with $48 million appropriated for the fiscal year and $12 million carried over from the previous year's appropriation. Over two-thirds of the FY84 funds are to be used to provide minority firms with direct management and technical assistance through the MBDCs.

Total appropriations for MBDA were $47.3 million in FY81 and $56.6 million in FY82.

INTERNATIONAL TRADE ADMINISTRATION

The International Trade Administration (ITA) of the Department of Commerce has responsibilities for trade development, international economic policy, administration of export and import licensing and their laws and regulations. Budget authority requested for ITA in FY84 is $144.9 million, 13 percent less than the $166.4 million in FY83. The decline is largely due to the elimination of Trade Adjustment Assistance (TAA) which provides loans and guarantees to firms to adjust to import competition. The Administration proposes to terminate this program in 1983. Of the $27.5 million appropriated for TAA in FY83, $20.1 million is proposed to be transferred to the Small Business Administration for its business loans and investment fund program. The balance of $7.4 million will be used to honor TAA commitments made through January, 1983.

The FY84 budget for ITA proposes shifts in funding from trade development (development and dissemination of information on foreign markets) to trade administration (export enforcement and administration programs). A slight reduction is proposed in trade development; a $2.6 million increase in trade administration will mainly go for increased staff, staff training, and equipment to deter the illegal export of controlled technologies and commodities.

SMALL BUSINESS ADMINISTRATION

The FY84 budget proposes the elimination of SBA's direct loan program (authorized at $230 million in FY84), except for $41 million in loan authorizations for small business investment companies which make loans to minority-owned firms. Program levels in the past for SBA's direct loan program have included $73 million in FY83, $178 million in FY82, and $333 million in FY81.

Under the FY84 budget proposal, SBA's guaranteed business loan program would total $2.4 billion, the same as in the FY83 budget. A supplemental request of $178 million has been made in the FY83 budget to provide additional funds to purchase defaulted guaranteed loans made in previous years. However, this supplemental request includes the $158 million transfer of funds from EDA's economic development assistance programs and the $20 million transfer of funds from the Department of Commerce's Trade Adjustment Act. Thus, there is no new net increase in federal funds for business development efforts.

Most of the guaranteed business loans ($2.4 billion) will be directed to the small business community in general. SBA's Sections 502 and 503 economic development company loan programs are slated to be funded in FY84 at $250 million, the same level as in FY83. The FY84 budget proposal calls for funding SBA's small business investment loan program (SBIC) at $201 million, also the same level as in FY83. Small business investment companies, licensed and regulated by SBA, extend capital or long term loans to new or expanding small businesses.

For FY84, disaster loans are proposed for continued level funding of $440 million.

SUMMARY

The Administration's FY84 proposals to wipe out the EDA through transfers of authority to SBA in FY83 and no additional funding in FY84 continue the policy of reducing the federal government's role as a direct partner in urban economic development. The Administration proposes to rely primarily on a program of tax and budget cuts, regulatory reform, and national economic policy as the means for achieving increased employment and a stable economic base in cities. The budget suggests that the functions of EDA can be absorbed and better directed at the state and local level through the use of Community Development Block Grants and Urban Development Action Grants. However, the budget proposes no increased funding at all over FY83 levels for CDBG, and actually defers $244 million in FY83 UDAG spending to FY84, while requesting only $196 million in new appropriations for UDAG. This FY84 request represents a 56 percent reduction from the FY83 budget request for this program.

The U. S. Conference of Mayors has reaffirmed its support for the continuation of the EDA in policy resolutions adopted in its past two Annual Meetings. These resolutions call for new legislation to extend the EDA and increase its effectiveness by emphasizing economic development at the local level.

EDUCATION

The Administration is requesting $13.2 billion in budget authority for FY84, $1.9 billion less than the FY83 appropriation level of $15.1 billion for which a recission of $1.2 billion is proposed. The proposed reductions include:

- $900 million less for the Guaranteed Student Loan Program, as contained within the proposed recission.
- $152 million less for other student aid programs.
- $49 million less for the Indian Education Program for which a phase-out is proposed.
- $43 million less for bilingual education.

Other reductions in budget authority for FY83 are proposed for vocational and adult education, catagorical library programs for which termination is proposed, migrant services and other special programs.

The Administration is also proposing major legislative initiatives to change the student aid program, institute a system of tuition tax credits, allow states and localities an optional voucher system to provide compensatory education services, and provide state block grants to upgrade the teaching of science and mathematics.

The Administration continues to believe that a Cabinet-level agency for education is inappropriate and will propose to Congress a different structure for the federal role in education.

COMPENSATORY EDUCATION

The FY84 request for $3 billion in budget authority for compensatory education is $20 million under the FY83 appropriation level. Proposed is a voucher system for these services, which could impact significantly upon public school systems. This operational program would be adopted at the discretion of the state or local education agencies. However, no other details on implementation are available at this time.

TUITION TAX CREDITS

Again this year the Administration will propose legislation for a tuition tax credit for parents who choose to send their children to qualified private elementary and secondary schools. This proposal could result in less money being available for public education and ultimately weaken the nation's public school systems. However, no information is available on specific provisions of this proposal. The tax expenditure is estimated to be $630 million in 1984, if this proposal is approved by Congress.

SCIENCE AND MATH INITIATIVE

In order to improve science and math education, legislation will be proposed to provide $50 million in budget authority for state block grants for teacher training. This proposal will complement a proposed $20 million National Science Foundation program to assist community-based efforts to upgrade and reward teaching skills.

IMPACT AID

Impact aid compensates public school systems for loss of property tax revenue due to the presence of federal facilities. In FY84, $465 million in budget authority is requested, as compared to the FY83 appropriation level of $480 million. The Administration proposes that school districts be paid only for those children who live on federal property and whose parents work on federal property or are in the military. These are "A" children. Payments would be made at full entitlement to the most heavily impacted districts, where the "A" children comprise 20 percent or more of averge enrollment. Other "A" payments would be prorated to the level allowed by remaining funds, estimated to be at least 50 percent of entitlement. Children with either, but not both, attributes are "B" children, for whom no payments are proposed.[1]

BILINGUAL EDUCATION

A significant reduction, 31 percent, is proposed in the area of bilingual education -- $95 million for FY84 and the revised FY83 request compared to $138 million in appropriated budget authority for FY83. This reduction reflects a phasing out of certain training activities. The cutback in this small program is significant in city school districts, many of which continue to receive increasing numbers of non-English speaking children.

STUDENT ASSISTANCE

The Administration is proposing a philosophical shift in federal student aid by making parental and student contributions the base for meeting college costs. As a result, access to higher education for middle-income students may be greatly diminished. This proposal is made because the Administration believes that currently students seek grants first as their base and then add low-cost loans and work-study funds. The Administration proposes to reverse the order by making self-help the base.

The total FY84 budget authority request for student aid is $5.615 billion, less than the FY83 revised request of $5.767 billion and the FY83 budget authority of $6.667 billion[2]. Compared to the FY83 appropriation level, the reductions primarily are in Guaranteed Student Loans (due to anticipated savings), National Direct Student Loans, and the consolidation of Supplemental Educational Opportunity Grants and State Student Incentive Grants into the new proposed category of self-help Pell Grants. Work-study programs are increased, with $850 million proposed in FY84 compared to $540 million in FY83 for both budget authority and the revised request.

Under the Administration's new "Self-Help" proposal, a student will be required to contribute 40 percent or a minimum of $800 of his/her college costs through work or loans. This self-help is in addition to what the family contributes. After satisfying the minimum self-help requirement, and adding the expected family contributions, the student will be eligible for a grant of up to $3,000 to meet educational costs, as determined by formula. Previously, the maximum amount available to needy students was $1,800. The Administration estimates that 80 percent of all grants will go to students from families earning less than $12,000. Additionally, all sutdents applying for loans will have to prove need regardless of family income.

Since the new proposals are quite complex, the full impact cannot be determined at this time. However, it appears that middle-income families -- those earning over $15,000 a year -- will find it progressively harder to obtain college educations for their children. Additionally, low-income students will have difficulty meeting the requirement that students contribute 40 percent of their college costs through work or loans.

EDUCATION SAVINGS ACCOUNT

The Administration also is proposing a tax incentive measure intended to encourage low- and middle-income families to save for their children's college education. Families will be able to make an annual investment up to $1,000 per year in an Education Savings Account, on which interest or dividends would be tax free. Families earning between $40,000 and $60,000 could not take full advantage of this incentive, and families earning over $60,000 would be exempt.

Savings in this type of account could be used by a full-time undergraduate student between the ages of 18 and 26 for tuition, room and board paid direcly to a university or college. Withdrawn savings would have to be reported to the IRS by the taxpayer and the financial institution, and verified by the college or university. Payments from Education Savings Accounts could not be made to institutions that discriminate on the basis of race, color or national origin.

The present estimates are that the tax expenditure (cost in lost revenues) associated with Education Savings Accounts will be negligible in FY84, about $100 million in FY85, and $200 million in FY86.

Since low- and moderate-income families have difficulty saving due to current economic pressures, the proposed measure is unlikely to achieve its goal of making a college education more accessible to their children. The proposed measure more readily relates to the financial circumstances of the exempt upper-income families.

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[1]Federal Education Activities: The Fiscal Year 1984 Budget, p. 16, Department of Education.

[2]Federal Education Activities: The Fiscal Year 1984 Budget, Department of Education, p. 6.

EMPLOYMENT AND TRAINING

The President's budget for FY84 proposes a cash outlay of $3.597 billion for training programs authorized under the Job Training Partnership Act. This represents a 4 percent reduction from outlays for comparable programs under the CETA program in FY83 and a 52 percent reduction from such programs in FY80. The size of the drastic reduction between FY80 and FY84 is a reflection of the elimination of the public service employment program under CETA.

UNEMPLOYED WORKERS

Although the Administration expects the unemployment rate to hover around 11 percent for the next year, the President is proposing no major job creation program. Instead, according to the Department of Labor, the President is proposing several ways to stimulate employment without additional costs. The first way is to create a subminimum wage for youths, which is designed to make young people more attractive in the labor market. The second is to establish a job voucher program that allows recipients of Federal Supplemental Compensation benefits to receive the equivalent of their benefits in the form of weekly vouchers to be given to new employers who hire them. The third approach is to undertake a concentrated effort to encourage states to adopt legislation that enhances part-time employment opportunities among UI claimants.

While the subminimum wage may encourage employers to hire youths during the summer months, there is no evidence that temporary jobs will have any impact upon the basic unemployment problem. With regard to the voucher proposal, experience with tax credits has demonstrated that, while such programs may provide financial assistance to employers, tney have little impact on the number of jobs that are created.

BASIC TRAINING PROGRAM

The proposed FY84 outlay for basic training programs under the Job Training Partnership Act (JTPA) is $1.85 billion, a decrease of 9 percent ($188 million) from outlays for comparable CETA programs in FY83, and a decrease of 22 percent ($523 million) from outlays in FY82. The money is provided in a grant to governors, who distribute funds to local service delivery areas to provide training services to economically disadvantaged youths and adults, as well as to special target groups (i.e., offenders, displaced homemakers, older workers) that had previously been covered under a separate national CETA program. The budget proposal suggests that, although there is less money, restrictions on non-training activities under JTPA will result in the same or even larger service levels than was the case under CETA. The fact that JTPA prohibits allowances, for example, is expected to be a major factor in reducing training costs. However, the elimination of allowances may actually curtail the participation of economically disadvantaged people in the program in some cities.

YOUTH PROGRAMS

Funds targeted to economically disadvantaged youths have been reduced from $3.0 billion in FY80 to $1.7 billion in FY84, a reduction over this period of 44 percent. Included in this $1.7 billion are approximately $587 million in the JTPA basic training grant that is to be used to provide training to youths.

The Summer Youth Program and the Job Corps are the only employment and training programs currently targeted specifically to young people. This compares with programs in previous years that included the Youth Conservation Corps, the Young Adult Conservation Corps, the Youth Employment and Training Program, the Youth Community Conservation Improvement Program, the Youth Incentive Entitlement Pilot Project, the Youth Conservation Corps, in addition to the Job Corps and the Summer Youth Program.

The President has proposed an FY84 outlay of $638 million for the Summer Youth Employment Program, a reduction of 7 percent ($41 billion) from FY82. The proposal assumes the establishment of a subminimum wage of $2.50 for youths under age 22, as compared to $3.35 for adults, to be effective from May 1 through September 30 each year. If the subminimum wage is not enacted, the proposed outlay will be changed to $725 million, an increase of 7 percent ($46 million) over FY82.

The proposed FY84 outlay for the Job Corps is $589 million, a reduction of 3 percent ($16 million) from FY83.

NATIONAL PROGRAMS

The President proposes a 19 percent reduction from the FY83 outlays for national programs to provide training to Native Americans, migrant and seasonal farmworkers, veterans and other special groups. The proposed outlay of $315 million in FY84 is $72 million less than the FY83 figure.

DISLOCATED WORKERS

The Job Training Partnership Act includes a new program for dislocated workers, to be operated by governors. The Congress provided $25 million dollars for the program for FY83. Although this is the only general training program for dislocated workers, the President is proposing to outlay only $6 million in FY83, supplementing that with $41 million for Trade Adjustment Assistance. The proposed outlay for FY84 is $204 million, including $199 million for the JTPA dislocated workers program and $5 million in carry-over funds for Trade Adjustment Assistance. No new money is requested for Trade Adjustment Assistance.

VOCATIONAL EDUCATION/ADULT EDUCATION

The FY84 proposed outlay for Vocational and Adult Education is $801 million, a 7 percent reduction from FY80. While a 4 percent increase in outlays is projected for FY83, a 30 percent decrease in budget authority is proposed. The funds are used to provide skill training and to reduce functional illiteracy.

COMMENT

The President's budget proposal reduces funds for training economically disadvantaged people at a time when nearly 12 million Americans are out of work and when rapidly changing technology is drastically reducing the number of jobs that require little or no skills. Further, the dislocated workers program is funded at a level of only $200 million at a time when job dislocation is becoming one of the major problems facing American workers. The funds targeted to economically disadvantaged youths have been reduced, apparently in favor of a subminimum wage that will be effective only during the summer months and that will do little to prepare those youths for permanent jobs. Finally, the President proposes no major job creation program to meet immediate employment needs.

EMPLOYMENT AND TRAINING, VOCATIONAL EDUCATION, ADULT EDUCATION OUTLAYS
FY80 - FY84
(in millions of dollars)

PROGRAM	FISCAL YEAR					PERCENT CHANGE	
	FY80	FY81	FY82	FY83	FY84	FY80-FY84	FY83-FY84
BASIC TRAINING	2,144	2,231	2,374	2,039	1,851	-14	-9
CETA[a]	2,144	2,231	2,374	2,039[e]	437		
JTPA[b]	---	---	---	---	1,414		
SUMMER YOUTH	739	769	679	653[f]	638[f]	-14	-3
NATIONAL PROGRAMS[c]	503	390	325	387	315	-37	-19
JOB CORPS	457	540	570	605	589	+29	-3
DISLOCATED WORKERS[d]	---	---	7	47	204	---	+434
Trade Adjust.			7	41	5		
JTPA				6	199		
PSE	3,697	2,387	139	0	0	-100	---
TOTAL EMPLOYMENT, TRAINING	7,540	6,317	4,094	3,731	3,597	-52	-4
TOTAL, MINUS PSE	3,843	3,930	3,955	3,731	3,597	-6	-4
VOC. ED., ADULT ED.	863	728	818	773	801	-7	+4

[a]Programs under CETA that have been replaced by the JTPA basic training program include: IIB/C, basic employment and training; Youth Employment and Training Program; Youth Community Conservation Improvement Program, Youth Incentive Employment Pilot Project, and the Private Sector Initiatives Program.

[b]Job Training Partnership Act.

[c]Includes programs for Native Americans, migrant and seasonal farmworkers as well as other groups; it also include funds for technical assistance and information.

[d]The program includes funds for the Trade Adjustment Assistance Act and for Title III of the Job Training Partnership Act.

[e]FY83 programs are operating under CETA regulations with funding through a continuing resolution.

[f]Assumes the enactment of a subminimum wage for youths; if no such enactment occurs, the outlay will be $729 million in FY83 and $725 million in FY84.

SOURCE: U.S. Budget, FY84.
FY84 Budget, U.S. Department of Labor.

ENERGY

The Department of Energy (DOE) FY84 budget proposal represents another effort by the administration to phase out most conservation, renewable energy and fossil fuels programs in favor of nuclear fission and fusion and related basic research. While nuclear programs remain at about the current level of funding, these conservation, renewable energy and fossil fuels programs would be cut by 75 percent, 59 percent, and 57 percent, respectively.

DOE has always appeared to be somewhat remote from the cities, and this budget reinforces that impression. In fact, as the Department seeks to move away from development of renewable technologies it looks more and more like its predecessor, the Atomic Energy Commission. Spending for atomic weapons programs, which has always been a significant part of the Department, has doubled in the last five years, and would represent well over half of this proposed budget.

CONSERVATION

Federal energy conservation funds have supported a wide variety of research and development programs seeking to reduce energy consumption in buildings, transportation systems, industrial processes, and utilities. Many of these could benefit cities by cutting energy costs in households and businesses, and, in some instances, by providing the technological base for new forms of business enterprise. The now-discontinued district heating program was begun in DOE's Office of Buildings and Community Systems.

The Administration's FY84 request of $101 million for energy conservation programs continues the shift away from active support for demonstration and commercialization programs in favor of "long-term, high-risk, high-potential-payoff research and development." The difference this year is that DOE now proposes to slow down this shift. In its FY83 proposal DOE sought to slash conservation spending in one fell swoop from $388 million to $22 million. Congress, however, refused to go along and appropriated $410 million. This year DOE is requesting a 75 percent reduction, to $101 million.

ENERGY BUDGET AUTHORITY
(dollars in millions)

	FY80[a]	FY81[b]	FY82[c]	FY83[c]	FY84[a]
Energy Technology	3,605	4,033	2,732	2,334	2,157
Magnetic Fusion	420	394	447	453	467
Nuclear Fision	1,097	1,051	1,088	877	848
Supporting Research & Technical Analysis	251	316	270	309	370
Fossil Energy	847	994	418	218	94
Environmental Research	224	230	214	225	210
Solar & Other Renewables	766	1,048	295	253	102
Conservation	779	430	388	410	101
Defense Activities	2,991	3,690	4,737	5,700	6,778
General Science	470	517	535	547	645
Regulation and Information	310	180	179	174	108
Strategic Petroleum Reserve	2,000	3,333	3,684	2,074	583
Administration	233	274	362	240	171
Total[d]	10,388	12,457	12,617	11,480	10,543

[a] Budget of the U.S. Government, FY82, Appendix, January 1981.

[b] U.S. Department of Energy, Briefing Document, January 1982

[c] Budget of the U.S. Government, FY84, Appendix, January 1983; U.S. Department of Energy, FY84 Budget Highlights, January 1983.

[d] Does not include requests for Direct Energy Production programs, e.g., regional power authorities, Naval Strategic Petroleum Reserves, and uranium enrichment.

The following table shows the details of the Department's proposed cuts in conservation programs.

DEPARTMENT OF ENERGY FY84 BUDGET FOR CONSERVATION PROGRAMS

	Budget Authority (in millions)	
	FY83	FY84
Buildings and Community Systems	39.1	16.4
Industrial Energy Conservation	27.9	10.6
Transportation	53.9	41.0
Multi-Sector (Appropriate Technology)	12.7	3.1
State and Local Programs	233.7	3.3
Electric Energy Systems	17.2	12.7
Energy Storage Systems	25.7	14.2
TOTAL	410.2	101.3

Source: U.S. Department of Energy, FY84 Budget Highlights, January 1983, p. 15.

The most dramatic cuts would come in state and local programs -- low-income weatherization, grants to schools and hospitals, energy extension services, and state energy conservation programs. The budget would terminate all of these programs at the end of the current fiscal year, providing only a small amount of money to administer an "orderly closeout" in FY84. The so-called Multi-Sector program, which used to support appropriate technology grants and small grants to inventors, is also scheduled to be phased out.

ENERGY PRODUCTION TECHNOLOGIES

Programs in this category cover a much larger array of technologies than conservation programs, and make up a much larger share of the DOE budget. Basically, these include research on nuclear fission and fusion, fossil fuels and renewable energy technologies, as well as related basic research and environmental analysis. Cities have benefited most from research on cleaner methods of burning coal and on various renewable energy systems -- e.g. geothermal, low-head hydro, municipal waste-to-energy -- that are small enough to be located in urban areas and contribute to local economic development. The FY84 budget proposals, however, would cut the largest amounts of funding out of these programs.

As the following table indicates, the DOE proposals would continue the trend away from the balance that existed in FY81 between nuclear programs on the one side and fossil and renewable energy programs on the other. In this budget over 60 percent of the energy technology funds would go to nuclear fission and fusion, while barely 10 percent would go to fossil and renewable energy technologies.

The following table illustrates DOE's proposal to eliminate several programs, including hydropower, active and passive solar, and ocean conversion systems, and to make deep cuts in virtually all others.

DEPARTMENT OF ENERGY FY84 BUDGET FOR SOLAR AND OTHER RENEWABLES

	Budget Authority (in millions)	
	FY83	FY84
Active	$ 6.7	$ ---
Passive	5.0	---
Photovoltaics	58.0	32.7
Solar Thermal	49.5	21.9
Wind	31.4	8.6
Ocean	10.5	---
Biomass	16.0	17.3
Solar Technology Transfer	3.0	3.1
Solar Program Direction	5.9	3.0
Other Solar	16.0	---
Geothermal	49.6	13.6
Geothermal Resources Development Fund	---	2.1
Hydropower	1.0	---
TOTAL	$252.6	$102.3

Source: U.S. Department of Energy, FY84 Budget Highlights, January 1983, p. 17.

OTHER PROGRAMS

Nuclear Waste Disposal

Congress recently gave the Department important new responsibilites for nuclear waste management with passage of the Nuclear Waste Policy Act. Enacted during the 97th Congress and signed by President Reagan the first week in January, the Act establishes the Nuclear Waste Fund which is financed

by fees on nuclear utilities. The fund will support planning, construction, and operation of a commercial high-level waste repository, and research on Monitored Retrievable Storage (MRS) techniques. To be able to begin work immediately, $217.3 million for FY83 was included in the Continuing Resolution, and $306.7 million is being requested for FY84. These allocations will eventually be repaid out of the Nuclear Waste Fund.

Strategic Petroleum Reserves

DOE has already slowed the pace of filling reservoirs of the Strategic Petroleum Reserve (SPR), and proposes to continue a slower pace through FY84. Congress had required the Department to fill at a rate of 300,000 barrels a day until 500 million barrels were on hand. Currently oil is being pumped in at about half that rate, and the total in storage is just over 300 million barrels. DOE maintains that the Congressional rate assumed imports of nearly 11 million barrels a day, whereas imports are currently running about 5.5 million barrels a day. At this rate, according to DOE, the country does not need such a large insurance policy.

Dismantlement of DOE

While this year's energy budget proposals came under the heading "Energy Activities" rather than "Department of Energy," they were back together in one section after having been broken up among the Commerce, Interior, and Justice Department sections last year. Officially, the Administration still promises to submit new legislation for dismantlement and claims to have a group at work going over last year's bill to assess the need for changes, but no timetable has been announced.

Solar and Conservation Bank

The Administration once again has requested no funds for the Solar Energy and Energy Conservation Bank, funded at $25 million in FY83. The Administration, while proposing a one-third cut of some $600 million in the Low-Income Energy Assistance program, seeks to shift $11 million in unspent Bank funds into the low-income program.

ENVIRONMENT

ENVIRONMENT

The Administration's proposed FY84 budget for environmental quality and protection and natural resource programs is highlighted by reductions and eliminations of key programs of concern to the nation's cities. These proposed cuts are similar to those attempted in the previous two fiscal years. Although Congress has enacted some of the suggested cuts, cuts of the size and scope contemplated by the Administration have been resisted.

Environmental Protection Agency

The budget for the Environmental Protection Agency (EPA) is composed of three central components of vital importance to cities: the operating budget, the wastewater treatment construction grants program and the hazardous substances response trust fund (Superfund) designed to help clean up dangerous waste spills.

The Operating Budget. The EPA operating budget is a critical tool for actual implementation of federal environmental laws. It includes items such as EPA staff expenses as well as pollution abatement, control and enforcement. Included in this important category is most grants to state and local governments to assist in carrying out federal mandates at the local level.

The operating budget proposed contains a decrease of 9 percent under FY83 levels, from $1,040 million to $949 million. Significantly, within this overall category, state and local grants are slated for a reduction of 26 percent, from $233 million to $173 million. This will mean reductions in the areas of air, water quality, drinking water, hazardous waste, and pesitcides programs.

As EPA increases the pressure on localities to meet federal mandates in the environmental area, its proposed budget would work to limit their ability to achieve that aim.

Wastewater Treatment Construction Grants. The Administration proposes to keep the funding level for the wastewater treatment construction grant program essentially flat for FY84 at $2.4 billion. This is the authorized level contained in the 1981 legislation which the Administration proposed to bring about "savings" in this program. The previous authorization level was $5 billion.

The wastewater treatment construction grants program is the principal vehicle of most municipalities to meet the national clean water regulations. Evidence continues to mount suggesting that the ceiling imposed on the program of $2.4 billion is inadequate to meet basic requirements. EPA estimated on December 31, 1982 that it would require $118.4 billion for construction of publically-owned wastewater treatment facilities to the year 2000.[1] Because of the labor intensive nature of the construction of wastewater treatment facilities, there has been considerable discussion in Congress on including this program as an element of an infrastructure jobs legislative initiative.

Superfund. The Hazardous Waste Response Trust Fund (Superfund) is proposed for an increase in FY84 from $210 million to $310 million. Superfund, which is partially financed by fees levied on industry, is designed to assist in the cleanup of abandoned hazardous waste dumpsites which pose a threat to health and safety. While the proposed FY84 budget represents an increase over the FY83 level, there has been some concern regarding the inability of EPA to expeditiously spend funds appropriated in previous years, even though there are hundreds of sites nationwide which are candidates for inclusion in Superfund.

The table below summarizes the highlights of the proposed FY84 EPA budget.

ENVIRONMENTAL PROTECTION AGENCY

FY80-FY84
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84
EPA Operating Budget	1269	1353	1086	1040	949
(State & Local Grants)	270	272	239	233	173
Wastewater Treatment Construction Grants	3400	1600[a]	2400	2430	2400
Superfund[b]	---	75	190	210	310

[a] Original FY81 wastewater appropriation was $3.3 billion. Administration proposed and Congress accepted a rescission of $1.7 billion.

[b] Superfund began in 1981.

Source: EPA, Summary of the 1984 Budget, pp. 78-84, 10, 6.

[1] EPA, 1982 Needs Survey: Cost Estimates for Construction of Publicly-Owned Wastewater Treatment Facilities (December 31, 1982) p. 6.

Department of Interior

For the third successive year, the Administration seeks no funds for the several programs within the Department of Interior which can assist in the improvement of urban environmental quality.

Urban Parks. The Urban Parks and Recreation Recovery program is designed to assist distressed cities in rennovation of existing park and recreation facilities. Though no new funds were appropriated in FY83, $2.4 million has been carried over from the previous fiscal year to fund operations, mostly for planning purposes, in FY83. While over 300 cities have benefitted from this rehabilitation program, the Administation has sought its elimination believing that the purposes it serves have a low federal priority. The House included $100 million for Urban Parks as part of the FY83 Continuing Appropriations Resolution, but the provision was dropped in Conference with the Senate.

Land and Water Conservation Fund. While the Administration seeks elimination of state and local grants under the Land and Water Conservation Fund (LWCF), Congress has rejected this approach in two of the last three fiscal years, agreeing to a moratorium in FY82, but funding the land acquisition grants in FY81 and FY83. The FY83 level is $75 million. The LWCF is a self sustaining program, funded from recreation user fees on federal facilities. The Administration is proposing legislation which would redirect those user fees to operate and improve the National Park Service, rather than make them available for future LWCF grants.

Historic Preservation. The Administration has proposed, as in past years, the elimination of federal assistance for state and local grants for historic preservation technical assistance and for the National Trust for Historic Preservation. Congress has rejected this approach, underscoring its belief in the effectiveness of preservation as an economic and community development tool, funding the program at $26 million in FY83.

A summary of the FY84 proposed budget for Department of Interior urban programs appears in the table below.

URBAN PARKS, NATURAL RESOURCES, HISTORIC PRESERVATION
FY80-FY84
(dollars in millions)

	FY80	FY81	FY82	FY83	FY83
Urban Parks	65	1[a]	8	---	---
Land and Water Conservation Fund					
State and Local Grants	319	159	---	75	---
Historic Preservation Grants	55	26	25	26	---

[a] Original appropriation of $20 million had $19 million rescinded.

Sources: U.S. Budget, Appendix, FY84, pp. IM 32-35.
U.S. Budget, Appendix, FY83, pp. IM-36-40.
U.S. Budget, Appendix, FY82, pp. IM-26-29.

FISCAL ASSISTANCE

The Administration proposes to maintain funding for general revenue sharing at the current level of $4.6 billion through FY84. There has been no increase in this program since FY73 when it was first enacted. In FY81, the states were dropped from the program, resulting in a $2.3 billion reduction in total program dollars. The FY84 budget does not propose to restore the state share, even though the revenue sharing legislation specifically authorizes such funding on a non-entitlement basis.

The revenue sharing program would be combined with Community Development Block Grants in a local fiscal assistance trust fund to make payments to local governments. The Administration's "New Federalism" proposal is to take effect in FY84. Both revenue sharing and CDBG must be reauthorized this year.

Payments in lieu of taxes (PILOT) programs would be increased by $600 million to $1.4 billion, largely due to a different payment schedule--monthly rather than semi-annually--which moves five additional months' payments into FY84. Currently there are four small PILOT programs which compensate state and local governments for the cost associated with some types of federal property. These include payments to states from Forest Service receipts, payments under the Mineral Leasing Act, and others. There is no recommendation for any new or expanded PILOT program to compensate local governments for the property taxes foregone as a result of federal buildings, installations and land holdings.

The federal government plans to speed up its sales of surplus federal property. This acceleration and encouragement of sales to the private sector, under policies recently promulgated by the Federal Property Review Board, is expected to yield $1.0 billion in FY84. Public benefit conveyances of federal land to state and local governments would be curtailed sharply.

Payments and loans to the District of Columbia would be increased from $494 million in FY83 to $544 million in FY84.

There are no funds for any new fiscal assistance program to state and local governments or any expansion of general revenue sharing to stimulate job creation.

FOOD STAMPS AND NUTRITION

FOOD STAMPS AND NUTRITION

At the same time that soup kitchens have re-emerged in many American cities and hunger once again has become a national problem, the FY84 budget request for the Food and Nutrition Service proposes a decrease from FY83 of $1.5 billion, for a total budget authority of $15.9 billion. Changes are proposed for the food stamp program that would cut funds by $766 million in FY84. Child nutrition programs would be cut by $312.8 million and several would be consolidated into a General Nutrition Assistance Grant. Funding for the special supplemental food program (WIC) and nutrition assistance for Puerto Rico would remain at FY83 levels.

FOOD STAMPS

The Administration has requested $10.9 billion for the food stamp program in FY84, $766 million below the $11.7 billion the program would reach under current law. FY83 funds are estimated at $12 billion, including a request for a supplemental appropriation of $1.2 billion to support the expected growth in food stamp participation resulting from recent increases in unemployment. The following changes are proposed for the food stamp program:

- Standardization and simplification of the systems for determining eligibility and benefit levels. FY84 cut: $498.
- Improved accountability for incorrectly issused benefits that would make the states responsible for the cost of all errors over three percent in FY84. FY84 cut: $423 million.
- Mandatory work requirement for able-bodied food stamp recipients. FY84 cut: $90 million.
- Postponement of the October 1, 1983 cost of living increase to April 1, 1984. FY84 cut: $32 million, but included in above proposals.

Decreases in AFDC benefits are estimated to increase the cost of the food stamp program by $245 million in FY84. There is concern that the simplification and standardization of eligibility determinations will adversely affect many of the working poor.

Average monthly participation in the food stamp program is estimated at 22 million people in FY83, 21.5 million in FY84. The average benefit per person per month is $42.67 in FY83. Under current law it would decrease to $42.21 in FY84; with the proposed changes it would decrease by $3 per month to $39.25 in FY84.

NUTRITION ASSISTANCE FOR PUERTO RICO

FY84 funding for the nutrition assistance block grant for Puerto Rico would remain at the FY83 level of $825 million. The Administration will submit legislation to delete the provision included in the Omnibus Reconciliation Act

of 1982 requiring that such assistance be provided in "non-cash" form.

CHILD NUTURITION PROGRAMS

The National School Lunch Program, operating at almost $2.3 billion in FY83, would operate at approximately the same level in FY84, but this would represent a cut of $100 million below the $2.4 billion estimated as necessary support under current law. The following changes are proposed:

- Responsibility for determination of eligibility for free and reduced price meals would be shifted from schools to local food stamp agencies;
- The reimbursement rate for reduced-price meals would be indexed to reflect the annual rate of inflation;
- Indexing of reimbursement rates for reduced-price meals would be deferred from July 1, 1983 to January 1, 1984.

Three child nutrition programs--summer feeding, child care and the school breakfast programs--would be consolidated into a General Nutrition Assistance Grant (GNAG) and cut by 28 percent, from a total of $743 million that would be available under current law in FY84 to only $535 million. $76 million is slated for transfer to the Head Start program in HHS. The GNAG would go to the states, which would have greater discretion in allocating school breakfast, child care feeding, and summer feeding funds now targetted to low-income children.

The Special Milk Program provides milk to children in schools or institutions that do not participate in another federally-subsidized meal program. No changes are proposed for the program, except a delayed cost of living adjustment. FY84 outlays will remain at the FY83 level of $20 million.

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)

The FY84 WIC program is proposed to remain at its FY83 level of $1.1 billion. No changes are proposed for this program, which provides prescribed food packages to low income women, infants, and children who are determined to be at nutritional risk. The Administration has indicated that because of unspent funds carried over from FY83 and the availability of some commodity stocks, participation in the program should remain nearly stable in FY84.

COMMODITY DISTRIBUTION

Commodities are used to supplement many of the food assistance programs. They are provided to the states for distribution to eligible schools and charitable institutions and organizations, including food banks, serving needy persons. Through the Special Cheese and Butter Distribution Program, begun in December, 1981, 500 million pounds of cheese and 125 million pounds of butter have been made available to the states. The states have only ordered about half of these amounts to date.

The Administration indicates that it will continue to upgrade the commodity distribution system and move more of the commodities that are in abundance. It does not, however, provide specific information on how it will do this or whether any of the intra-state distribution costs will be supported.

HEALTH

The Administration's $84.9 billion health budget for FY84 requests another year of entitlement cuts affecting the aged and the poor. The Department of Health and Human Services (HHS) seeks to reduce expenditures for Medicare and Medicaid by $19.3 billion over the next five years -- by $2.1 billion alone in FY84.

In another reform that shifts health costs from the federal government to consumers, a cap on non-taxable health insurance will be requested.

The budget also shows intent to consolidate three current categorical programs, including the controversial family planning program, into the primary care block grant.

MEDICARE

While Medicare is projected to increase by about $7 billion over FY83, the Administration will propose legislative changes to reduce the program by $1.8 billion. Two major cost cutting initiatives include:

- Catastrophic Coverage: Under this proposal, the Administration would restructure enrollees' cost sharing obligations in exchange for catastrophic coverage. A beneficial impact of this change would be felt by relatively few individuals. Where the current system requires that patients pay the first day hospital costs and nothing more until after the 60th day, the new system would demand partial co-payments for all days through the 60th, with free care to follow after day 60. Of 29 million medicare beneficiaries, this catastrophic benefit would in fact apply each year to only 170,000 people who remain in the hospital beyond 60 days. Moreover, physician costs would not be covered by this section of Medicare.

- Prospective Payments for Hospitals: Reimbursement rates for hospitals would be pre-set for each of 467 diagnosis related groups (DRGs) on a per discharge basis. No special adjustments are expected for public and inner-city hospitals serving the poor.

MEDICAID

In FY84, $286 million is to be cut from Medicaid. Of this, $249 million will come from co-payments received from program beneficiaries. Additional reductions are projected for FY85 through proposed continuation of lowered federal Medicaid payments to the states enacted under the 1981 Reconciliation Act.

PUBLIC HEALTH SERVICE

Requested funding for the four health block grants is at FY83 levels. The Administration will attempt to include the family planning, migrant health and black lung programs in the primary care block grant.

The Centers for Disease Control budget proposal is up $21 million over FY83, due largely to a $15 million increase in buildings and facilities. Minor increases are requested for venereal disease and immunization programs. These are balanced by decreases in occupational safety and health and infectious diseases, the latter to be reduced despite the growing national problem of acquired immune deficiency syndrome (AIDS). An increase of $6 million is requested for epidemic services.

A cut of $230 million is sought for the Health Resources and Services Administration with almost all programs except the National Health Service Corps to face reductions. The health planning program, which last year was budgeted at $58 million, is to be eliminated, and major reductions are slated for the health professions training program.

The Alcohol, Drug Abuse, and Mental Health Administration is to increase by $20 million over FY83. A $7 million reduction in mental health programs appears along with increases of $11 million and $14 million in drug and alcohol abuse services, respectively.

Funding for the National Institutes of Health will rise by $73 million, due primarily to a $68 million increase requested for research.

The Office of the Assistant Secretary for Health, up $23 million from FY83, shows an encouraging increase of $5 million for the National Center for Health Statistics.

HEALTH BENEFIT TAX CAP

The Administration proposes to cap the amount of tax-free employer-paid health insurance an employee may receive. Under the new plan, a family may get up to $175 per month in insurance before paying taxes. The Administration says the current national average for a family plan is $123 per month. No adjustments will be made for sections of the country with high health care and/or insurance costs. The program is expected to bring $2.3 billion in increased revenues in FY84.

MEDICARE AND MEDICAID OUTLAYS
(dollars in millions)

	FY81 actual	FY82 actual	FY83 est.	FY84 est.	FY85 est.
MEDICARE:					
Hospital and supplementary medical insurance:					
Existing law	42,489	50,423	57,360	66,535	76,432
Proposed legislation	---	----	-100	-1,856	-2,781
Premiums and collections:[a]					
Existing law	-3,340	-3,855	-4,355	-5,010	-5,843
Proposed legislation	---	---	126	160	-260
Subtotal, Medicare	39,149	46,568	53,031	59,829	67,548
MEDICAID:					
Existing law	16,948	17,391	19,333	21,092	23,990
Proposed legislation	---	---	-7	-293	-858

[a]Includes voluntary enrollee premiums for medicare coverage.

Sources: U.S. Budget, FY84.
U.S. Budget, FY83.

CENTERS FOR DISEASE CONTROL
(budget authority in millions of dollars)

	FY80	FY81	FY82	FY83	FY84 Req.	Change FY83-FY84
Venereal Diseases	48	48	43	48	49	+1
Immunization	30	30	35	39	42	+3
Infectious Diseases	27	26	28	35	34	-1
Chronic and Environmental Diseases	18	18	22	24	24	---
Occupational Safety and Health	81	68	62	58	55	-3
Epidemic Services	28	31	38	40	46	+6
Buildings and Facilities	11	4	1	2	17	+15
Program Management	4	3	2	3	3	---
TOTAL	247	228	231	249	270	+21

Source: U. S. Department of Health and Human Services, The Fiscal Year 1984 Budget, p. 14.

HUMAN SERVICES

HUMAN SERVICES

Amid growing human distress in American cities, the Administration's proposed FY84 budget eliminates more than $800 million from human services. Almost all remaining economic opportunity programs would be phased out or eliminated, as would the Work Incentive Program. Programs for the elderly, for Native Americans, and for people with developmental disabilities, would be cut. Only the social services block grant, Head Start, and a newly consolidated Family Social Services Program would see modest increases.

Community Action

The Community Services Block Grant created in 1981 and funded at $348 million (plus administrative funds in FY83), is slated for elimination. The Community Services Block Grant (CSBG) provides basic administrative support to 900 community action and limited purpose agencies throughout the country. This support enables the agencies to coordinate other sources of funding--federal, state, local and private--to support local anti-poverty efforts. In addition, the CSBG supports a variety of discretionary activities, including community development programs, rural housing programs, and the migrant and seasonal farmworkers programs. The budget proposal suggests that the CSBG duplicates other sources of funding, such as the Social Services Block Grant.

As it did in the FY82 and FY83 budgets, the Administration proposes to eliminate the Legal Services Corporation, currently funded at a level of $241 million. The Administration suggests that the Social Services Block Grant could be used by the states to support legal services activities and that private attorneys are expected to increase free services to the indigent in accordance with the legal profession's ethical obligations.

Once again, the Administration proposes to eliminate VISTA (Volunteers in Service to America), with $2 million included for phase-out costs. The older American volunteer programs which include Foster Grandparents, the Retired Senior Volunteer Program, and the Senior Comparison Program, would remain at the FY83 level in FY84. Similarly the citizen participation and volunteer demonstration programs used to expand private volunteer activities for drug abuse prevention, illiteracy, and the problems of runaway youth, together with the Vietnam veterans leadership program, would remain at $2 million.

Social Services

The Social Service programs slated for increases are:

- The Social Services Block Grant (by $50 million to $2.5 billion);
- Head Start (by $62 million to $1.05 billion); and
- Family Social Services (by $41 million to $601 million).

Child Welfare Services and Training Foster Care, and Adoption Assistance are grouped together as a new category: Family Social Services. Legislation will be proposed to cap the Foster Care entitlement program at $440 million. It is this entitlement program which is responsible for the increase in Family Social Services for FY84.

Once again the Administration proposes to eliminate the Work Incentive Program, claiming it has not proven cost-effective and that the same purposes can be accomplished by the mandatory work experience program to be proposed under the Aid to Families with Dependent Children Program, and by other programs such as the Social Services Block Grant.

Reductions of $32 million for the senior nutrition programs and $5 million for Title V community services employment for older Americans are proposed. The Administration suggests that the reduction in the senior nutrition program can be made up by management improvements and by larger contributions from the elderly participating in the program, thus maintaining the FY83 daily meal level in FY84. The Administration proposes (as it has in the two previous budget requests) to transfer the USDA Elderly Feeding Program and the Title V employment program, now administered by the Department of Labor, to the Administration on Aging.

While funds for Rehabilitation Services would remain constant from FY83 to FY84, legislation will be proposed to change the allocation formula to the states to reflect their success in rehabilitating and placing more severely handicapped individuals into suitable employment, to simplify program administration, and to increase state discretion in service delivery.

SELECTED HUMAN SERVICES PROGRAMS
(budget authority in millions of dollars)

	FY80	FY81	FY82	FY83	FY84
Community Action					
VISTA	33	33	18	14	2
Older American Volunteer Program	83	89	84	88	88
Legal Services Corporation	300	321	241	241	---
Community Services Block Grant[a]	561	527	366	359	3
TOTAL	980	972	711	704	95
Social Services					
Social Services Block Grant	2,636	2,991	2,400	2,450	2,500
Head Start	736	814	909	912	1,051[b]
Aging Programs	647	623	635	672	998[c]
Family Social Services	276	506	465	560	601
Work Incentives	365	365	281	271	---
Native Americans	35	34	28	28	22
Developmental Disabilities	62	49	58	61	41
Rehabilitation Services	758	924	952	1,037	1,037
TOTAL	5,515	6,306	5,728	5,991	6,250[b,c]
Human Services, Total	6,495	7,278	6,439	6,695	6,345[b,c]

[a] Figures for FY80 and FY81 represent programs administered by the Community Services Administration which were consolidated into the Community Services Block Grants in FY83 and moved to the Office of Community Services in the Department of Health and Human Services.

[b] Includes $76 million transfered from USDA Child Nutrition Programs.

[c] Included $100 million for the USDA Elderly Feeding Program and $277 million for the Senior Community Services Employment Program (title V of the Older American Act) administered by the Department of Labor, both of which are to be transfered to the Administration on Aging and are not included in figures for previous years.

Source: U.S. Budget, Appendix, FY82, FY83, FY84.

INCOME SECURITY

With the exception of Supplemental Security Income (SSI) and Unemployment Compensation, reductions are proposed for all income security programs in the President's FY84 budget. Significiant legislative changes are requested for nearly every program.

SOCIAL SECURITY

The FY84 budget for payments under the Old Age, Survivors and Disability Insurance (OASDI) program reflects the recommendations of the National Commission on Social Security Reform. The Commission proposals affecting the FY84 budget include:

- Postponement of the cost-of-living adjustment (COLA) from July 1983 to January 1984, with the annual adjustment made thereafter on a calendar year basis. FY83 reduction: $2.1 billion; FY84 reduction: $4.2 billion.

  (To protect low-income recipients, $30 per month in Social Security payments would be added to the present $20 per month income disregard in the SSI program).

- Advancement of the OASDI tax increase of 0.3 percent from January 1, 1985 to January 1, 1984. FY84 revenue increase: $6.4 billion.

  (There would be a refundable tax credit in FY84 for the rescheduled portion of the employee rate.)

- Increase in the self-employment OASDI tax rate to equal the employee-employer rate, effective January 1, 1984. FY84 revenue increase: $1.0 billion.

  (Half of the combined rate would then be allowed as a business expense deduction.)

- Federal income tax collection on one-half of the OASDI benefits paid to individuals with an adjusted gross income of $20,000 or more, and to couples filing jointly with $25,000 or more. FY84 revenue increase: $1.1 billion.

- Extension of coverage beginning January 1, 1984, to all employees of non-profit organizations and newly hired federal employees; prohibition of withdrawals by state and local employees covered on date of enactment. FY84 revenue increase: $1.1 billion.

It is estimated that the average number of OASDI beneficiaries projected under current law will rise from $36 million in FY83 to $36.5 million in FY84. The projected COLA increase, payable under proposed law in January 1984 is 5.1 percent.

SUPPLEMENTAL SECURITY INCOME

The FY84 budget estimates net increases in the SSI program of $85 million in FY83 and $341 million in FY84, reflecting the recommendations of the National Commission on Social Security Reform. They include:

- An additional $30 per month disregard in Social Security payments to reduce the impact of the postponement of the COLA to January 1984. FY83 increase: $85 million. FY84 increase: $385 million.

- Simplification and improvement of SSA debt management and program administration activities. FY84 reduction: $30 million.

- Changes to ensure that an individual's entitlement under OASDI and SSI would not result in "windfall" benefits. FY84 reduction: $14 million.

Approximately 3.5 million people currently receive SSI benefits, which average $176 per month in FY83.

AID TO FAMILIIES WITH DEPENDENT CHILDREN (AFDC)

Eight separate program changes totalling $722 million in cuts are proposed for the AFDC program. These cuts would be added to those proposed by the Administration for FY82 and FY83 and enacted in part by Congress in the Omnibus Reconciliation Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982. The changes proposed for FY84 include:

- Mandatory state job search and community work experience programs. FY84 reduction: $275 million.

- Consideration of total family income in determining eligibility. FY84 reduction: $131 million.

- Adjustment of shelter and utility expenses for families living in larger households to recognize the economies of sharing living expenses. FY84 reduction: $229 million.

- Exclusion of the needs of an employable parent or other caretaker relative in calculating AFDC benefits when the youngest child reaches 16. FY84 reduction: $22 million.

- Assessment of sanctions against an individual who is able to work but not participating in work-related activities if he/she quits a job, reduces the number of hours of work, or refuses employment without good cause. FY84 reduction: $1 million.

Many of these program changes are similar to those proposed for FY83 but not enacted by the Congress.

LOW INCOME HOME ENERGY ASSISTANCE

The Administration proposes to reduce funds for Low Income Home Energy Assistance by $686 million in FY84 to $1.3 billion. The Administration indicates its intention to propose legislation to direct funds more precisely to states with the most home energy needs and the greatest concentration of low-income families. States would also be given added flexibility in determining income eligibility requirements and payment levels. Federal reporting requirements would be reduced.

In FY83 the Administration will request authority to transfer approximately $11 million in unobligated funds from the Solar Energy and Energy Conservation Bank to the Low Income Home Energy Assistance block grant.

REFUGEE AND ENTRANT ASSISTANCE

Funds for refugee and entrant assistance would continue to be significantly reduced, dropping $94 million from the FY83 level to $485 million in FY84. The Administration attributes this reduction to:

- An estimated ten percent reduction in refugee admissions to 82,000 in 1984.
- A rapid decline (22 percent) in refugee eligibility for cash and medical assistance during FY84 due to exhaustion of time-limited eligibility.
- A parallel reduction in the need for social services and other assistance.

The Administration proposes to consolidate funds now earmarked for social services, targeted assistance (impact aid), educational assistance, and cash and medical assistance to noncategorically eligible refugees into a flexible grant to the states to be awarded on a per-capita basis. The federal government would continue to reimburse states for AFDC, Medicaid, SSI, and general assistance benefits paid to eligible refugees during their first 36 months in the country.

The program will continue to support the voluntary agency program ($4 million in FY84), preventive health services ($8 million in FY84) and the Cuban-Haitian entrant program ($6 million in FY84).

UNEMPLOYMENT COMPENSATION

Projections for Unemployment Compensation are based on average unemployment rates of 10.7 percent in FY83 and 10.1 percent in FY84. Benefits will be paid to an estimated 12.7 million unemployed workers in FY83 and to 11.5 million unemployed workers in FY84.

The Federal Supplemental Compensation program is a temporary program which pays up to an additional 16 weeks of benefits to those who exhaust their regular and, where available, extended benefits. The Administration proposes a six-month extension of the program, with an option for recipients

to receive assistance in securing work through tax credits to employers through a voucher system. The program would then extend through FY83, with wage offsets remaining available until March 31, 1984. Estimated outlays for this proposal are $1.8 billion; estimates of the tax expenditure are $184 million in FY83 and $642 million in FY84.

SELECTED INCOME SECURITY PROGRAM OUTLAYS
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84
Social Security Trust Funds					
OASI	103,227	122,304	137,929	152,587	162,817
DI	15,322	17,280	18,035	17,903	17,943
Interest Payments for Interfund Borrowing	---	---	---	-977	-1,883
Subtotal OASDI	118,559	139,584	155,964	169,513	178,877
Proposed Legislation	---	---	---	-2,056	-4,140[a]
Supplemental Security Income	6,395	7,192	7,677	8,845	7,850
AFDC	6,113	6,817	7,531	7,767	7,094
Child Support Enforcement	384	420	459	456	436
Low Income Energy Assistance (BA)	1,600	1,734	1,875	1,986	1,300
Unemployment Compensation	16,440	18,739	24,282	35,700	30,800
Refugee and Entrant Assistance Programs (BA)	517	902	689	579	485

BA = Budget Authority

[a] This decrease occurs because benefits were paid for 13 months in FY83 and for 11 months in FY84 because the first day of the first month of FY84 falls on a weekend.

Source: The Budget of the United States Government, Appendix FY82, FY83, FY84.

MANAGEMENT ASSISTANCE

For a number of years it was the practice of federal agencies to provide resources to support the management development, training and planning efforts of state and local government officials engaged in the implementation of federal grant-in-aid programs. This trend has been reversed since FY81. Among the programs eliminated since that year are the EPA 208 and 175 programs, the Intergovernmental Personnel Act programs and the HUD 701 comprehensive planning grants.

For FY84, the Administration proposes the elimination of these remaining intergovernmental assistance management programs:

- The Federal Mediation and Conciliation Service which, through its Labor-Management Cooperation Project (LMCP) supported the establishment of local labor-management committees, would lose all authority to implement LMCP and, in addition, faces a total FY84 funding reduction of nearly 13 percent below both FY82 and FY83, from a total budget authority of $24.44 million to $21.446 million. The LMCP program, established by the Labor Management Cooperation Act of 1978, has the potential for reducing labor-management strife and for improving productivity. The program was also designed to improve the climate for economic development by making funds available to both the public and the private sectors. The LMCP would be eliminated in FY84 after being supported at a level of $1.2 billion in FY81 and $634 million in FY83.

- The Economic Development Administration of the Department of Commerce has been proposed again for elimination in FY84. It received an appropriation of $198 million in FY83. Remaining outlays (from previous authorities) of about $181 million in FY83 funds are proposed for transfer to the Small Business Administration.

- Coastal Zone Management under the Department of Commerce would be eliminated in FY84. This program provided grants and loans to state and local governments to assist them in planning and financing public facilities and services required to support energy development activities in or near coastal areas.

Planning assistance for the following two programs, both in the Department of Transportation, would still be available in FY84:

- Research and training grants from the Urban Mass Transportation Administration are proposed at $51.7 million in FY84, compared to $63.5 million in FY82.

- Under the Federal Highway Administration, a percentage of the Federal Highway Trust Fund is made available to metropolitan planning organizations and to the states. Of that amount, one-half of one percent ($48.8 million) is provided to metropolitan planning organizations. Of the remaining base, one and one-half percent ($169.8 million) is provided directly to the states for planning and management.

NATIONAL DEFENSE

For defense, the Administration requests $273.4 billion in budget authority for FY84, an increase of $34 billion over the approved program for FY83. This figure represents an increase of 14.2 percent over FY83, exceeding the President's original target of seven percent "real growth" per year.

Since the Administration assumed office, large increases in defense spending amounting to $91.9 billion, or 63.2 percent, have been approved or proposed. This results in a military budget which is 30.3 percent of the total budget, compared with 24 percent in FY80.

Over the next five-year period through FY88, according to budget projections, defense spending authority would total $1.8 trillion. Projections show that the Administration forecasts an annual military outlay of $377 billion by FY88.

FY84 budget authority has been reduced by $11.3 billion from the amount projected in 1982. The President's freeze on military and civilian pay for FY84 amounts to $4.9 billion of the total reduction. It should be noted, however, that the reduction in military and civilian pay will be offset by a FY85 raise in military pay at a cost of $4 billion.

Every category of military spending would receive a large increase under the proposed budget, but the amounts vary considerably.

Some program increases are as follows:

- Weapons research is slated for a 30 percent increase.
- Weapons purchase functions would increase 15 percent and military construction, excluding military family housing, would increase 33 percent.
- By contrast, operations and maintenance would increase 10.8 percent, personnel 5.5 percent and pensions 4.3 percent.

The budget increases nuclear weapons forces by 36.4 percent, whereas general purpose forces are increased by 8.8 percent. Funds for 27 MX ("Peacekeeper") missiles are included at a cost of $2.9 billion, despite the fact that the special commission created to study placement of the missiles has not completed its report.

The Administration is submitting a supplemental budget request of $1.6 billion for FY83, including $1 billion to build the first five MX missiles, funds cut by the Congress last year.

NATIONAL DEFENSE
(dollars in billions)

	FY80	FY81	FY82	FY83	FY84
Department of Defense Budget Authority	145.3	181.5	213.8	239.4	273.4

FIVE YEAR TREND:

FY80 Actual Program	145.3	
FY84 Proposed by Adm.	273.4	
Increase	91.9	(63.2%)

Source: U.S. Budget, FY82, pp. 413-426.

U.S. Budget, FY83, pp. 8-47 through 61.

Office of the Assistant Secretary of Defense (Public Affairs), News Release No. 34-83, January 31, 1983.

PUBLIC SAFETY

CRIMINAL JUSTICE

The Reagan Administration's FY84 budget request for all federal law enforcement and justice functions is $5.6 billion, an increase of $357 million over the FY83 level. (State and local expenditures in this area are estimated to be seven times this proposed amount.)

The Administration's budget request for the Department of Justice is $3.4 billion, a 15 percent increase over FY83. The budget proposal shows an increased emphasis on efforts to enhance federal law enforcement abilities in dealing with drug-related crimes, to effect large-scale application of modern technology to the federal justice systems, and to increase construction and expansion of federal prisons.

In a significant policy departure, a major theme in the Administration's FY84 budget request for the Department of Justice is the provision of financial assistance to state and local governments' criminal justice systems. The Administration is proposing the establishment of a $90 million program to support state and local law enforcement efforts. Eighty percent of the program's funds will be awarded to states through formula grants with pass-through provisions to local governments. The remaining 20 percent will be used for training, technical assistance, and demonstration programs. Although the proposed $90 million will provide some needed assistance to state and local criminal justice systems, this amount contrasts with the $480 million authorized in FY75 for the same general purposes under the Law Enforcement Assistance Administration.

As it did in the past two fiscal years, the Administration is again proposing the elimination of the Juvenile Justice Delinquency and Prevention programs, funded at $67.6 million in FY83. Currently, these are the only criminal justice programs that continue to provide assistance to state and local governments. The Administration expects that resources for dealing with juvenile offenders will be provided through the new state and local assistance program.

The combined budget request for the National Institute of Justice and the Bureau of Justice Statistics is $35.8 million, a $1.7 million increase from FY83.

The Administration is requesting $1.05 billion in FY84 for the Federal Bureau of Investigation (FBI), a substantial increase of 24 percent, or $202 million, over FY83 levels. The Bureau's budget request includes a 132 percent increase in capital investment, reflecting the Administration's greater emphasis on the use of new technology in the federal criminal justice system. The FBI's FY84 budget also reflects the agency's increased role in dealing

with illegal drug trafficking. Since January 1982, the FBI has had concurrent jurisdiction with the Drug Enforcement Administration (DEA) over federal drug violations. The FY84 budget request for DEA, which must now report to the Director of the FBI, is $275.6 million, an eight percent increase from the FY83 level of $225.5 million.

The FY84 budget request also includes a 30 percent increase, or a total of $135 million in outlays, for the Organized Crime Drug Enforcement (OCDE) program. This program is a network of 13 regional task forces which focus on preventing drug trafficking through prosecution of high-level organized crime violations. OCDE is an interagency effort which includes resources from the U.S. Attorneys, the Federal Bureau of Investigation, the Drug Enforcement Administration, the Bureau of Alcohol Tobacco and Firearms, the Coast Guard and others.

The Administration, however, is proposing the elimination of grants which provide assistance to state and local law enforcement agencies in the exchange of intelligence information. The FY83 budget authority for these grants is $9.4 million.

EMERGENCY PREPARDENESS/CIVIL DEFENSE

The Federal Emergency Management Agency (FEMA) was established in 1979 to consolidate federal emergency preparedness, mitigation and response functions in a single agency. The FY84 budget request for FEMA reflects the Reagan Administration's continued commitment to increase expenditures for civil defense and emergency preparedness capabilities. An increase of 28 percent, to $395 million, is proposed in direct program costs for FEMA's Emergency Planning and Assistance and state and local assistance components. The FY84 budget request for these programs becomes more significant when contrasted with the FY83 funding level of $186.9 million.

State and Local Assistance

The Administration is requesting $209.7 million for this component, a 36 percent increase over FY83. This amount includes $141.4 million for civil defense activities, an increase of $50 million or 55 percent. The budget request for civil defense includes $56 million for state and local emergency assistance and $29 million for the state and local direction control and warning program. A 106 percent increase over FY83, or a total of $36.5 million, is being requested for population protection programs, which in FY84 will include civil preparedness for nuclear attacks, natural disasters, and technological hazards such as accidents involving nuclear power plants.

Emergency Planning and Assistance

The Administration is requesting $185 million for the entire Emergency Planning and Assistance component; this represents an increase of $31 million above FY83 levels. This total includes $78.7 million (a 170 percent increase) for civil defense, the bulk of which will be used to fund telecommunication and warning systems. A reduction of $19.7 million, for a total of $95 million, is proposed for federal emergency preparedness.

Natural Insurance Fund/Disaster Relief

The Administration is proposing $17 million for the National Insurance Development Fund, $8.7 million less than in FY83. The National Flood Insurance Fund is being funded at $71 million, the same amount as in FY83. No appropriation is requested in FY84 for disaster relief because unobligated funds from previous years (approximately $575 million) are considered to be sufficient to provide assistance in the event of Presidentially-declared emergencies and disasters.

SELECTED PROGRAMS OF THE
FEDERAL EMERGENCY MANAGEMENT AGENCY
BUDGET AUTHORITY
(dollars in millions)

	Actual FY82	Estimated FY83	Proposed FY84
State and Local Assistance			
Civil Defense			
State and Local Assistance	45.7	50.8	56.1
Radiological Defense	8.4	10.3	19.9
Population Protection	10.9	17.7	36.5
State and Local Direction Control and Warning	12.0	12.1	28.9
Communications and Warning	2.2	---	---
Subtotal	79.2	90.9	141.4
Comprehensive Emergency Preparedness Planning	---	5.0	5.6
Radiological Emergency Preparedness	2.6	3.6	3.6
Flood Plain Management	38.0	53.6	58.6
Emergency Information and Coordination	---	1.5	.5
TOTAL	121.3 *	154.6	209.7
Emergency Planning and Assistance			
Civil Defense	29.0	29.2	78.7
Federal Preparedness	24.1	114.7	95.0
Training and Education	6.4	6.9	8.1
Fire Prevention	6.1	3.3	3.3
TOTAL	65.6	154.1	185.1

Source: U.S. Budget, FY84, Appendix, pp. V26-27

* Total includes $1.6 million in unobligated funds.

SCIENCE AND TECHNOLOGY

The Administration's proposed FY84 budget for local government science and technology again reflects a lack of commitment to the application and transfer of federal research and development efforts to the private sector and to local governments. Major portions of the Stevenson/Wydler Technology Innovation Act remain unimplemented by the Department of Commerce, and technology utilization and applied research programs within the National Bureau of Standards and NASA have been significantly reduced or phased out.

NATIONAL SCIENCE FOUNDATION

The FY84 budget proposed for the National Science Foundation (NSF) is $1.292 billion, an 18 percent increase over the FY83 level of $1.09 billion. The majority of increased funds will be used to support basic research in academic institutions, with special emphasis on the disciplines of physical sciences and engineering. The Intergovernmental Science and Technology Program (ISTP) remains at its FY83 level of $500,000, which represents the lowest budget figure for this program in the last ten years. ISTP is NSF's only program to assist state and local governments in the use of federal technology to improve productivity and service delivery mechanisms.

NATIONAL SCIENCE FOUNDATION
(dollars in millions)

FY80	FY81	FY82	FY83	FY84
996.3	1,022.4	995.6	1,093.9	1,292.3 (requested)

NSF also calls for a $39 million budget for Science and Engineering Education, an increase of $9 million, or 30 percent over the FY83 budget. Of this increase, $5 million will expand the Presidential Secondary School Science and Mathematics Teaching Program from $15 million in FY83 to $20 million in FY84. This program is designed to improve science and mathematics teaching in grades 6 through 12.

As in FY83, the NSF has no program in FY84 to support the implementation of the Stevenson/Wydler Technology Innovation Act, which requires federal laboratories to share technologies and provide technical assistance to state and local governments. Also, no funds have been allotted for the Federal Laboratory Consortium, the principal technology transfer arm of the nation's

largest 200 federal laboratories.

DEPARTMENT OF COMMERCE

The Department of Commerce budget contains no funds for the operation of the Center for the Utilization of Federal Technology (CUFT) as mandated by Section 11 of the Stevenson/Wydler Technology Innovation Act of 1980. In FY83 CUFT received $500,000. CUFT was designed to work jointly with the Federal Laboratory Consortium to expedite the transfer of research and development from over 700 federal laboratories to state and local governments and the private sector. Also, DOC's budget includes no funds for the establishment of Centers for Industrial Technology authorized under Section 6 of the Stevenson/Wydler Act. These Centers were to promote technological innovation and commercialization of federal research and development activities. Likewise, no funds have been budgeted to assist federal laboratories in special technology transfer projects with local governments and small businesses that may require special adaptive engineering studies, as authorized in Stevenson/Wydler.

NATIONAL BUREAU OF STANDARDS

The Administration has requested for the National Bureau of Standards (NBS) a budget of $98.7 million, a 16 percent reduction from the FY83 level of $117.86 million. NBS is one of the nation's leading laboratories in the area of measurements, test methods and the promotion of technological innovation within the research community.

Of this $19.61 million cut, $9.1 million comes from a proposal to eliminate NBS's Center for Building Technology and the Center for Fire Research, applied research programs that directly benefit cities. An additional $7.0 million in proposed cuts are slated to occur in computer sciences and technology programs that develop computer standards for the benefit of the public and private sectors.

SMALL BUSINESS ADMINISTRATION

The Small Business Administration, through its Small Business Innovation Research Program (SBIR), will monitor in FY84 $120 million of federal R&D funds set-aside for research and development by small, high technology firms. Under current law, civilian research agencies in FY84 are required to contract out 0.6 percent of their R&D budget to small firms; the Department of Defense requirement is 0.3 percent. In FY83 $40 million was set-aside, equalling 0.2 percent from civilian agencies, and 0.1 percent for DOD. The legislation requires that civilian agencies achieve 1.25 percent set-aside by FY86 and that DOD achieve the same set-aside level by FY87. The SBIR program promotes opportunities for small, high technology firms to participate in federal research and development and to stimulate technical innovation in both the federal R&D community and the private sector.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Within the National Aeronautics and Space Administration (NASA) the Technology Utilization Program has been cut 60 percent from $10.19 million in FY83 to $4 million in FY84. The Technology Utilization Program is designed to transfer technology to non-aerospace industry and state and local governments.

The budget for the Space Applications program category faces a 27 per ent cut from its FY83 level of $397.62 million to an FY84 level of $289 million. The NASA programs are designed to relate space technology to earth applications, and include remote sensing for forecasting resource and environmental change, advanced communications and materials processing.

TRANSPORTATION

The Administration's proposed FY84 transportation budget seeks some increases in transportation programs of concern to cities but also attempts major cuts in key areas which contradict the very purposes of the legislation signed by the President one month ago.

The Administration's FY84 budget calls for spending $19.1 billion for highway, mass transit and railroad programs, about $200 million more than in FY83. Funding for air transportation would increase by $622 million to $4.84 billion.

Included in these overall increases are boosts in federal aid to highways, particularly repair and rehabilitation programs, and airports. Decreases from FY83 levels would be felt in public transportation and railroad programs. Especially important is the renewed effort by the Administration to eliminate operating aid for mass transit after FY84.

PUBLIC TRANSPORTATION

The FY84 budget represents a dramatic reversal of the Administration's earlier position that funds made available from the gas tax for mass transit would represent an increase over current levels. Instead, in direct conflict with legislation signed by the President on January 6, the budget calls for funding $777 million below the authorized level of $2.750 billion for the new transit block grant.

The Administration continues to call for the elimination of operating assistance, suggesting a cut of almost $600 million from FY83 levels. It has dropped its opposition to funding for new transit systems.

Despite the addition of $1.1 billion of gas tax revenue to the program, the FY84 level for public transportation is $300 million below the 1983 level. Given the rhetoric used by the Administration in heralding last year's Surface Transportation Assistance Act, this is a surprising, and swift, turnaround.

Following years of discussion and negotiation, the operating assistance program was reduced and made an eligible activity of the new public transportation block grant, the remainder of which is to be used for capital assistance. This was part of an overall compromise designed to achieve effective surface transportation legislation. By massively reducing the new block grant to limit the availability of operating assistance, the Administration endangers not only operating but also capital needs of public transportation.

PUBLIC TRANSPORTATION BUDGET AUTHORITY
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84
Discretionary Grants	1,710.0	1,970.0	1,680.5	1,606.0	(Replaced
Bus and Bus Facilities	405.0	580.0	530.6	500.0	by Mass
Rail Modernization	760.0	945.0	879.5	840.0	Transit
New Starts and DPMs	410.0	385.0	179.9	206.0	Capital
Urban Initiatives	80.0	20.0	29.5	---	Funds)
Planning and Other	55.0	40.0	61.0	60.0	
Formula Grants	1,405.0	1,455.0	1,365.0	1,200.0	(Replaced
Operating Assistance	1,105.0	1,105.0	1,036.0	875.0	by Block
Bus Capital	300.0	350.0	329.0	325.0	Grant)
Block Grants					1,973.5
Operating Assistance					283.3[a]
Mass Transit Capital Fund[b]				779.0	1,250.0
(Obligation Ceiling)[c]				(550.0)	(1,100.0)
Research and Training/ Administration	95.2	76.5	75.4	86.3	81.7
Small Urban/Rural	55.6	73.0	68.5	68.5	51.5
Interstate Transfer[d]	800.0	865.0	538.0	365.0	380.0
Other[e]	2.4	10.0	---	240.0	230.0
TOTAL	4,068.2	4,449.5	3,727.4	4,115.8	3,816.7

[a] This figure reflects Administration request to limit to 14.36 percent the portion of block grant funds available for operating aid.

[b] Funds in this program are derived from the federal motor fuels tax revenues set-aside for transit purposes.

[c] Obligation ceilings proposed by the Administration would delay expenditure of funds which would otherwise be available in FY83 and FY84.

[d] For FY80-81, projects are transit or highway. FY82-84 figures are for transit projects only, with highway projects included in the highway budget.

[e] In FY83-84, amounts are for Washington Metrorail construction from 1980 Stark-Harris legislation.

HIGHWAYS

Because of the new revenue available from the increased federal motor fuels tax, Federal-Aid highway programs show increases in the proposed budget. Due to the imposition of an obligation ceiling, much of the benefit of this increase will be delayed.

The emphasis on infrastructure repair is increased in the budget. Funding for Interstate 4R and the bridge program would be increased to almost 30 percent of the total program. The Federal-Aid Urban System (FAUS) would remain at $800 million. FAUS is the only program which can be used to repair local highways and streets.

The obligation ceilings proposed for FY83 and FY84 are $11.6 billion and 12.6 billion, respectively.

FEDERAL HIGHWAY PROGRAM OBLIGATIONS
(dollars in millions)

	FY80	FY81	FY82	FY83	FY84
Trust Fund Programs					
Federal Aid Highways (Obligation Ceiling)[a]	8,076.7	8,974.8	8,188.8	12,315.0 (11,600)	13,289.0 (12,600)
Interstate Construction	2,889.4	3,676.5	3,081.2	4,100.0	4,000.0
Interstate 4R	490.2	249.3	578.0	1,900.0	2,300.0
Primary[b]	1,604.7	1,751.9	1,489.5	1,700.0	1,800.0
Rural and Small Urban	772.9	456.2	387.0	400.0	400.0
Urbanized Area	734.0	891.9	731.6	800.0	800.0
Bridge Construction	773.5	937.6	979.2	1,400.0	1,650.0
Safety and Other	812.0	1,011.4	942.3	1,758.0	1,689.0
Interstate Transfers[c]	---	---	288.0	642.7	650.0
Miscellaneous Programs (including non-trust fund activities)	272.0	130.5	77.6	88.0	159.7
TOTAL	8,348.7	9,105.3	8,554.4	13,045.7	14,098.7

[a] Obligation ceilings shown are proposed for FY83-84. States will have discretion to obligate funds among the listed categories up to this amount.

[b] Primary funds are assigned to the urban or rural program depending on where they are spent.

[c] This program was funded from general revenues in FY82 and FY83; the FY84 request is to come out of the Highway Trust Fund.

Source: U.S. Budget, Appendix, FY84, p.I-Q1.

AIRPORTS

The budget reflects the increased levels for grants-in-aid to airports approved in last year's tax legislation. FY84 funding would be $994 million, a 24 percent boost over the FY83 level. The Administration would delay the availability of some of the money by imposing an obligation limit of $700 million.

The Administration's proposal to "defederalize" all large and medium-sized airports has been dropped.

RAILROADS

The Administration proposes to further reduce the federal role in intercity rail transportation by reducing aid to Amtrak, selling off Conrail, and funding the last installment of the Northeast Corridor Improvement Program. The termination of the local rail service assistance program is also assumed.

Grants to Amtrak would be cut 16 percent to $682 million. Conrail labor protection would be reduced 66 percent to $20 million in anticipation of the sale of the railroad. For improvements to the Northeast Corridor, the budget notes the $100 million level proposed in FY84 will be the last installment on the program.

SUMMARY

Although the nation's cities will benefit from new funding for highways, mass transit and airports, much of the benefit of the increases has been either offset by proposed cuts in other areas or delayed by obligation ceilings. These ceilings are designed to hold down the deficit by slowing down expenditures. They do not reduce total funds available.

The most striking example of the use of both of these means to reduce spending is in the public transportation program. Here, the Administration proposes to offset new funding from the gas tax with more than $777 million in cuts from general revenues. In addition, the budget would delay the spending of $229 million in FY83 and $150 million in FY84 from the Mass Transit Capital Fund created by the recently enacted highway/transit bill.

U. S. Conference of Mayors policy calls for the gas tax revenues to be added to funding levels in existence before the gas tax increase.

Significant headway has been made in the highway and airport programs, where new user fee legislation allows for substantial increases. However, some of these increases will also be delayed due to obligation ceilings. The increased funding for infrastructure repair and the preservation of funding for FAUS and large airports are consistent with Conference policy.

VETERANS

Over the five-year period from FY80 through FY84, the federal budget for the Veteran's Administration (VA) has increased from $20.3 billion to a proposed $25.1 billion.

VETERANS ADMINISTRATION BUDGET AUTHORITY
(dollars in billions)

FY80	FY81	FY82	FY83	FY84
20.3	23.1	24.7	24.9[a]	25.1

[a]Includes reappropriation of certain resources transferred from medical care appropriation.

Source: U.S. Budget, FY80, FY81, FY82, FY83, FY84.

The proposed FY84 budget represents an increase of $1.1 billion over the current fiscal year, primarily due to increases in funding for medical and construction programs. Agency employment is expected to increase by 1,914 to a level of 220,785. This employment increase will provide staffing for new medical facilities as well as a higher staff-to-patient ratio at existing VA medical centers.

Proposed in the VA budget is a 5.1 percent cost-of-living increase in compensation and pension payments. The pension increase would be effective December 1, 1983, and the compensation increase on April 1, 1984. The budget also proposes elimination of nearly $21 million in correspondence training and advance payments from the educational assistance program.

OUTLAYS FOR MAJOR PROGRAMS OPERATED BY
THE VETERANS ADMINISTRATION
(dollars in billions)

	FY81	FY82	FY83	FY84
Compensation	8.5	9.3	9.7	10.1
Pensions	3.7	3.9	3.9	3.9
Education & Training	2.3	1.9	1.5	1.2

Source: U. S. Budget, FY84, p. 8-155,
Veterans Administration Budget in Brief, p.25.

COMPENSATION

The $10.1 billion request for compensation payments is based on VA estimates that 2.3 million veterans with service-connected disabilities will remain eligible for monthly payments along with 348,000 survivors of veterans who died of service-connected causes.

PENSIONS

It is anticipated that $3.8 billion in pension payments, based on financial need, will be made to 775,000 wartime veterans and 885,000 survivors of wartime veterans.

MEDICAL PROGRAMS

VA medical programs, which will treat about 1.4 million inpatients and provide for 18.4 million outpatient medical and dental visits, will be funded at $8.3 billion, an increase of $395 million above the current level. This funding also supports medical and prosthetic research programs, a health professional scholarship program and grants to states for construction of extended care facilities for veterans.

CONSTRUCTION

Resources for full activation of new replacement medical centers are provided in the request. In 1984, it is also planned to activate a new outpatient clinic, two new nursing home care units, and other facility additions and improvements.

A total of $868 million in construction funding is requested for major and minor projects to make safety and building code improvements in existing facilities and to expand outpatient and clinical facilities. Also to be funded are two major replacement/modernization projects. Eight nursing home care projects will add 960 new nursing home beds. Other projects will provide improved hospital support facilities and will address needs at National Cemeteries, Regional Offices and Data Processing Centers.

GLOSSARY

APPROPRIATION

The actual amount of funds Congress makes available for a program or agency in a fiscal year. An appropriation is the most common means of providing budget authority, and usually follows an authorization bill. Appropriations simply represent the maximum amount an agency may spend during the specified time period.

AUTHORIZATION

Legislation which establishes or continues a federal program or agency, specifies its general goals and conduct, and usually sets a ceiling on the amount of money which can be spent for it (in some cases, "such sums as may be necessary"). Authorizing legislation normally is enacted before an appropration or other kind of budget authority.

BACKDOOR AUTHORITY or BACKDOOR SPENDING

Budget authority or spending mandated without action by the appropriations committees. In some cases, a permanent appropriation continues without any current Congressional action. Programs with backdoor authority included the highway trust fund, the Environmental Protection Agency's construction grants, and the social security trust funds.

BUDGET AUTHORITY (BA)

Budget authority is the permission granted to an agency or department to make spending commitments. This includes hiring workers (committing funds for salaries), contracting for procurement or any other purpose (committing funds for payment at some future date upon completion of the contract), and all other government activities. In most cases, budget authority is not the level at which a program or agency will function during a fiscal year, but is merely the upper limit of new spending commitments that can be made that year. Budget authority itself does not involve the exchange of cash.

BUDGET DEFICIT

The amount by which the government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by borrowing from the public.

BUDGET SURPLUS

The amount by which the government's budget receipts exceed its budget outlays for any given period.

CONCURRENT RESOLUTION ON THE BUDGET

A resolution passed by both Houses of Congress, but not requiring the signature of the President. The first concurrent resolution sets forth a target Congressional budget. The second concurrent resolution revises or reaffirms these targets and sets an absolute spending ceiling and minimum revenue level. If needed, subsequent resolutions for a fiscal year may be adopted at any time after the second concurrent resolution. These resolutions shall include:

- The appropriate level of total budget outlays or total new budget authority.
- An estimate of budget outlays and new budget authority for each major functional category of the budget.
- The amount, if any, of the surplus or deficit in the budget.
- The recommended level of federal revenues.
- The appropriate level of the public debt.

CONTRACT AUTHORITY

Contract authority is the amount of funding for which an agency may enter into binding commitments to make payments over some period of time. Contract authority may equal only one year's appropriation in the case of a program which involves single-year financing. It can also obligate the governments to make payments for much longer periods of time. In federal housing programs, for instance, contract authority of about $1 billion can translate into budget authority totaling more than $30 billion. In programs where contract and budget authority are both used to measure commitments, the contract authority figure is usually the total of the annual contributions which the program will require in one year.

CONTINUING RESOLUTION

Legislation that extends budget authority for specific existing activities when the regular appropriation has not been enacted by the beginning of the fiscal year. Continuing resolutions in recent years have been used to finance most government programs.

CONTROLLABILITY

The extent to which the level of spending for a particular program can be limited during a fiscal year without changing existing law. "Relatively uncontrollable" generally refers to spending for entitlement programs such as social security and veterans' benefits, fixed-costs such as interest on the public debt, and commitments from previous years.

CURRENT SERVICES BUDGET

A budget that projects estimated budget authority and outlays for the upcoming fiscal year at the same program level and without policy changes as the fiscal year in progress. To the extent mandated by existing law, estimates take into account the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and mandated benefit changes. The Congressional Budget and Impoundment Control Act of 1974 requires that the President submit a current services budget to the Congress by November 10 of each year.

DEFERRAL

Any action or inaction by any officer or employee of the United States which delays the obligatiton or expenditure of budget authority. Under the Congressional Budget and Impoundment Control Act of 1974, the President is required to report each proposed deferral to the Congress in a special message. Deferrals may not extend beyond the end of the current fiscal year and may be overturned by the passage of a resolution by either House of the Congress.

ENTITLEMENT AUTHORITY

Legislation that requires the payment of benefits to any person or government meeting the requirements established by such law, e.g., social security benefits and veterans' pensions.

FISCAL POLICY

Federal taxes, spending, and debt-management policies intended to promote the nation's economic goals, particularly with respect to employment, gross national product, price stability, and balance of payments. The budget process is a major vehicle for determining and implementing federal fiscal policy.

FISCAL YEAR

Any yearly accounting period without regard to a calendar year. The fiscal year for the federal government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends, e.g., FY84 is the fiscal year ending September 30, 1984.

FUNCTION (FUNCTIONAL CLASSIFICATION)

The Congressional Budget and Impoundment Control Act of 1974 requires the Congress to estimate outlays, budget authority, and tax expenditures for each budget function. The functional classification is a means of presenting budget authority, outlay, and tax expenditure data in terms of the principal purposes which federal programs are intended to serve. Each account generally is placed in the single function (e.g., national defense, health) that best represents its major purpose, regardless of the agency administering the program. Functions generally are subdivided into narrower categories called subfunctions.

IMPOUNDMENT

Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress. (See "Deferral of Budget Authority" and "Rescission.")

OBLIGATIONS

Spending commitments of the federal government, including contracts awarded, services rendered and orders placed, requiring future outlays -- distinct from actual payments. Obligations may not be larger than budget authority.

OBLIGATED BALANCE

The amount of budget authority committed but not yet spent. This balance may be carried forward indefinitely until the obligations are paid.

OUTLAYS

Outlays are the actual amount of dollars spent for a particular activity. In almost all cases the level of outlays usually is the most important number to examine in determining how a program has fared in the budget. The level of outlays compared to the level of revenues determines whether the budget is in surplus or deficit.

REAPPROPRIATION

A carryover of funds from one fiscal year to the next which is authorized by public law. Such a carryover bypasses the Congressional procedures and requirements on rescissions and deferrals.

RECONCILIATION

A process used by the Congress whereby the Budget Committees direct the standing committees to make cuts or revenue changes of a certain size in their programs. The actual reductions are then packaged together in an omnibus reconciliation measure. The Congress can use the reconciliation process to adopt major substantive changes in authorizing law and appropriations levels, including the enactment of block grants and reductions and changes in entitlement programs.

RESCISSION

A bill or joint resolution which provides for cancellation, in whole or in part, of budget authority previously granted by the Congress. Rescissions proposed by the President must be transmitted in a special message to the Congress. Under the Congressional Budget and Impoundment Control Act of 1974, unless the Congress approves a rescissions bill within 45 days of continuous session, the budget authority must be made available for obligation.

SUPPLEMENTAL APPROPRIATION

An appropriation enacted as an addition to a regular annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until the next regular appropriation.

TAX EXPENDITURES

Losses of tax revenue attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, preferential rate of tax, or a deferral of tax liability. The Congressional Budget and Impoundment Control Act of 1974 requires that estimated levels of tax expenditures be represented in the President's budget.

TOTAL OBLIGATIONAL AUTHORITY (TOA)

Legal authority to incur obligations, make payments, borrow money to make payments, enter into contracts and incur other obligations. The concept is similar to but more inclusive than "budget authority".

TRUST FUNDS

Federal funds used to carry out specific purposes and programs under trust agreements or statutes (social security and unemployment trust funds, for example). These funds may not be used for purposes other than which they are intended unless the Congress specifically authorizes it.

UNEXPENDED BALANCE

The amount of budget authority unspent and still available for future spending; the sum of the obligated and unobligated balances.

UNOBLIGATED BALANCE

The amount of budget authority not yet obligated. In one-year appropriations, this unobligated balance ceases to be available after the end of the fiscal year. In multiple-year appropriations, the unobligated balance may be carried forward and remain available for later obligation.